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WELFARE: REFORM OR REPLACEMENT?
(Short-term v. Long-term Dependency)

HEARING

BEFORE THE

SUBCOMMITTEE ON
SOCIAL SECURITY AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

MARCH 2, 1987

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WELFARE: REFORM OR REPLACEMENT?
(Short-term vs. Long-term dependency)

MONDAY, MARCH 2, 1987

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY
AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The committee was convened, pursuant to notice, at 9:32 a.m. in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman) presiding.

Present: Senators Moynihan, Daschle, Dole, and Durenberger.

[The press release announcing the hearing and the prepared statements of Senators Moynihan and Mitchell follow:]

[Press Release No. H-16—Feb. 5, 1987]

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY ANNOUNCES THREE FURTHER HEARINGS ON "WELFARE: REFORM OR REPLACEMENT?"

WASHINGTON, DC.—Senator Daniel Patrick Moynihan (D., N.Y.), Chairman, announced today that the Subcommittee on Social Security and Family Policy of the Senate Finance Committee will continue with its series of five hearings on "Welfare: Reform or Replacement?"

The three upcoming hearings will focus on the following aspects of the welfare system:

February 20—Child Support Enforcement;
February 23—Work and Welfare; and
March 2—Short-term vs. Long-term Dependency.

Senator Moynihan stated that the Subcommittee expects to receive testimony at these hearings from expert witnesses as well as from individuals and groups with an interest in the welfare of children and families.

The Chairman said he anticipates that the witnesses will address such issues as: the basic principles that should guide legislative action on behalf of dependent children and their families; how parental responsibility for the care of children can be better enforced; how poor parents can be helped to increase their incomes through work; how government policy can effectively distinguish between households likely to be dependent for short and long periods of time; what role various levels of government ought to play; and how programmatic recommendations can be implemented in a period of fiscal restraint.

These hearings will begin at 9:30 a.m. on the dates shown above, in room SD-215, Dirksen Senate Office Building.

Our Children: Their Welfare, Our Future

Statement by

Senator Daniel Patrick Moynihan

Chairman

Senate Committee on Finance

Subcommittee on Social Security and Family Policy

Hearing V: "Welfare: Reform or Replacement?"

Dirksen Senate Office Building

Monday, March 2, 1987

Today, we conclude our first round of hearings on replacing the Aid to Families with Dependent Children (AFDC) program with a new national system of child support, a system that looks first to parents to support their children.

Since we began these hearings in late January, a heartening bipartisan consensus has emerged around three themes: First, in the case of single-parent families, absent parents (fathers 90% of the time) must systematically contribute a portion of their incomes toward their children's upkeep. Second, able-bodied parents have a responsibility to support their children by working. Third, when parental income from child support payments and earnings is still inadequate, supplemental assistance must be provided to the family.

Poised to Act

Last week, the National Governors' Association endorsed a plan to require AFDC mothers with children over the age of three to participate in state-designed education, training, and work-experience programs. The President has expressed his agreement with the direction the Governors are taking. Members of Congress have done likewise.

We have set our course and are poised to act. As we proceed, the challenge will be to act wisely, to target scarce resources to those most in need and to those who will best benefit: One size does not fit all.

Short-Term vs. Long-Term Dependency

We have learned that the poor are not one undifferentiated mass of people. Their experiences and needs may vary widely. The 35 year-old divorcee and mother of a teenager, with some college education but no recent work experience, is not the same as the 14 year-old high school dropout with an infant. Both will need help, but different kinds of help.

The 35 year-old mother may need nothing more than some temporary income assistance, some advice on how to look for a job, and a chance to pull herself together in the wake of a traumatic divorce. The teenaged mother is likely to need intensive assistance to stay in school, to train for a job, and to learn how to care adequately for her baby.

In other words, there is a difference between people who have some trouble come into their lives and those whose whole lives are in trouble.

The statistics bear this out: About one-quarter of the AFDC caseload manages to leave the rolls within two years. More than half of those who ever rely on AFDC receive it for less than four years. Thus, for the majority of AFDC recipients, the program provides temporary assistance. But there is also that quarter of the caseload that receives benefits for ten years or longer. Although they are a clear minority of the caseload, they consume 60% of all benefits paid.

It is about these long-term dependent households that we ought to be most concerned. Fortunately, we have a good idea of which families are likely to become dependent for long periods

of time: Professor Ellwood and others report that those at greatest risk of becoming long-term recipients are young, never-married women who begin receiving AFDC when their children are under age three. Over 40% of these young, unwed mothers will spend a decade or longer on the AFDC rolls.

We also have a pretty good idea of the sort of education, training, and work programs these poor households need. A variety of such programs have been tested over the last six years and recent evaluations of these efforts show modest but measurable gains in work effort and earnings.

These same evaluations teach us that not everyone benefits equally from the same assistance: New applicants for welfare who have worked recently gain little from work and training programs. By comparison, new applicants without recent work experience can benefit substantially from such programs.

If we are serious about helping those dependent on welfare to become more self-sufficient, we should invest in education, training, and work-experience programs. We should design these programs with the understanding that not everyone will need the same services. We should give the Governors the flexibility and resources they need to operate these programs.

We should not, however, expect too much too soon. It has taken us over twenty years to get into this fix, we will not get out of it overnight. No matter how good these work and training programs are, they will not, by themselves, solve the problems of poverty and dependency. There are other things we can and should do, at the same time.

Child Support, Health Care, and Child Care

We know, for example, that establishing more uniform and equitable standards of child support, together with mandatory and automatic wage-withholding, will improve the effectiveness of our child support program. Taking such steps will also send an important message to young men and women: If you are adult enough to bring a baby into this world, you will be responsible for supporting that child until he or she reaches age 18.

We also know that if we expect poor parents to work, we should make that obligation clear and remove barriers to employment: A poor single mother cannot work if she cannot afford child care or if she loses health care for her family when she accepts a low-wage job. A poor father is unlikely to work longer hours if he loses income assistance and health care for his family when he works one hour over 100 in a month.

Providing Adequately for Children

In our four hearings to date, we have heard one thing again and again: The problem is not the AFDC program; the problem is how to provide adequate support for our children.

We are not doing so now: Today, one in four children is born in poverty; one in five under age 18 lives in poverty. Sixty percent of the children born in 1985 can expect to live in single-parent families -- usually with their mothers -- before reaching their 18th birthdays. Over half of the children living in single-mother families are currently poor. At the rate we are going, 38% of the children born in 1985 may become AFDC

recipients before reaching maturity. In the last 15 years, the inflation-adjusted AFDC benefit in the median state declined by one-third.

Is this the future we want for our children? I think not.

Our Childen Are Our Future

Over the last 20 years, support for the AFDC program has eroded. The decline in the benefits we pay to poor children is evidence of this. Today, no one seems to like the program -- not those who administer it, not those who contribute their tax dollars to it, and not even those who benefit from it. We are, by now, familiar with the reasons why: The benefit structure is inequitable, payments are too often inadequate, the program discourages work, and it is administratively cumbersome.

Worse, the AFDC program does not do a good job of moving mothers off of welfare rolls and onto payrolls. Of course, it was never designed to do this. In 1935, when this program was enacted into law as Title IV of the Social Security Act, it was intended to pay widowed mothers to stay at home so that they could continue to keep house and look after their children. In those days, mothers did not work outside the home.

Times have changed. Today, 88% of single-parent families form because of divorce and illegitimacy. Today, nearly 70% of mothers with children between the ages of six and eighteen are in the labor force. Over half of mothers with children under age three are in the labor force. The majority of these mothers do not work full time; but they do work at least part time. It

is not unreasonable, therefore, that we have come to expect poor mothers to try and do likewise.

We have taken stock and are finally realizing how things have changed in the 52 years since the Social Security Act became law: The majority of children will spend some portion of their youth in female-headed families. These children will need and are entitled to support from their fathers. Women, even mothers, do work and are expected to work outside of the home to help support their children.

In the years it has taken us to understand these things, children, rather than the elderly, have become the poorest members of our society.

Today's children are tomorrow's labor force. Today's children are tomorrow's citizens. We had best start taking care of our children as if our future depended on it.

Statement by Senator George J. Mitchell

Subcommittee on Social Security and Family Policy

Hearing V: Short-Term vs. Long Term Dependency

March 2, 1987

Mr. Chairman, I welcome the opportunity to participate in today's hearing and look forward to the testimony of a number of expert witnesses in the area of long-term vs. short-term dependency.

Welfare dependency is one of the central issues facing any study of welfare reform. As we continue to examine the existing welfare structure we must be acutely aware of the population that is now dependent on the federal government for support.

We must thoroughly understand the dynamics of welfare dependency in order to design a new welfare system which will encourage those on welfare rolls to become self-sufficient.

Any study of welfare dependency must take a careful look at the successes and failures of the WIN program - the only federal program designed to get welfare recipients off the rolls and into permanent employment.

In my home State of Maine, our WIN demonstration program - known as WEET, has proven to be a successful model. The WEET program has provided education and training for thousands of Maine's welfare mothers, resulting in permanent employment in jobs which pay significantly higher wages than they received while on welfare.

While there is debate over the success rate of the WIN program in all states, we must not forget the crucial ingredient of WIN - placing welfare mothers in permanent employment that pays a living wage. Providing career education and training which prepares welfare mothers for jobs as laboratory technicians and carpenters - not "make-work jobs."

Mr. Chairman, I commend you for your commitment to the goal of welfare reform and look forward to working with you to develop a viable program which will make working for a living a truly viable option for those now dependent on the federal government.

Senator MOYNIHAN. A very good morning to all of our guests and our witnesses. This is the fifth and final hearing of this Subcommittee on Social Security and Family Policy that we are having on welfare. The President indicated a year ago that he wanted the Congress to be concerned with this issue. We seem to be having most of these hearings on Monday mornings. The weather started out terrible and then got worse and now it has gotten better. That may be something of an omen.

I might say that last Monday afternoon we met with a group of Governors who came to give us their proposals. Governor Castle of Delaware, who appeared before us earlier, is chairman of the NGA Task Force on Welfare Prevention. Governor Dukakis visited a week ago Friday, and Governors Kean, Gardner, and Ashcroft appeared last Monday.

I must say that things are now accumulating. Ideas have been generated, and I think we have an opportunity that is rare, that comes every decade. Hopefully all these ideas will generate some positive change.

Now, I have a statement that I will include in the record at this point. And we will proceed directly to the moment we have been waiting for for some time, which is to hear a panel representing the White House Domestic Policy Task Force. They will discuss the legislation the President has now sent to Congress, or will do today. I guess I am not sure whether it was introduced on Friday or not, but Senator Dole and I have introduced it by request and others have joined us; and we very much look forward to hearing from this panel. We have John Bode, who is the Assistant Secretary for Food and Consumer Services, Department of Agriculture; the Honorable Robert Helms, Assistant Secretary for Planning and Evaluation, Department of Health and Human Services; Dr. and Mrs. Blakeney, the Berkeley Academy for Youth Development at Berkeley, California; and Mr. Robert Woodson, President of the National Center for Neighborhood Enterprises in Washington, DC.

We are going to have to adhere to our 10-minute rule and perhaps you can even attenuate that. Dr. Helms, we welcome you, and Mr. Bode. I think Mr. Bode is first on the list.

Mr. BODE. Mr. Chairman, with your permission, Dr. Helms and I will summarize our statement, and Dr. Helms will speak first.

Senator MOYNIHAN. Please go ahead.

STATEMENT OF HON. ROBERT HELMS, ASSISTANT SECRETARY, PLANNING AND EVALUATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Dr. HELMS. Mr. Chairman, it is a pleasure to appear before you and the subcommittee this morning. You are well known for your research and writing on today's topic, the reform of our welfare system. Since we know that you are a person who cares about the application of the social science research and the formation of public policy, we are here today to make a plea to you and to the Congress that in this reform movement we do the right thing for a change, not throw away the opportunity to do any more. We also happen to be representing the President, who like yourself has

been speaking out about the need to break the cycle of dependency, now faced by so many of our citizens.

John Bode and I are two of several members of the White House Domestic Policy Council's Low-Income Opportunity Working Group, set up by the administration for Federal and State programs designed to help the poor. We have submitted for the record our formal remarks, and I will try to tell you some of the problems we identified in our study, "Up From Dependency," and then my colleague, John Bode, will tell you about the administration's proposal to solve these problems in the legislative proposal.

America's public assistance system is composed of 59 major Federal welfare programs on which Federal and State governments spend more than $132 billion. These 59 programs comprise a centralized welfare system that requires over 6,000 pages of Federal law and regulation, is overseen by a score of congressional committees, managed by eight major Federal Departments, through numerous agencies in the 50 States and territories, through hundreds of thousands of welfare workers. The Census Bureau estimates that more than 50 million Americans benefit from some welfare program during the course of the year.

Now, our study made an effort to talk to a large number of people who work in or are served by these numerous programs. One of the most obvious problems they identified was that in a welfare system with its multitude of programs, with its excessively complex regulations, diverse eligibility requirements, and varying benefit levels often leads to confusion and demoralization for poor families seeking assistance. While each of these programs was developed to solve a specific problem, they have contributed to the welfare system becoming a maze of overlapping and, in some cases, unresponsive programs.

One of the justifications of the many and complex rules in the welfare system is that it ensures that welfare goes only to the most needy. Upon inspection, however, the complexity of the system often undermines this goal. In fact, current welfare spending is more than twice as great as the "poverty gap," or the amount it would take to lift all Americans above the official poverty level. This means that many Americans who are not needy receive welfare. Because individual needs and capabilities differ so greatly, we feel that public assistance benefits and opportunities should not be tied to a federally determined standard.

The welfare system also creates incentives that undermine the attractiveness of work to welfare recipients. Many welfare recipients can receive more on welfare than they can earn by working. There are various ideas being proposed by the States and by various study groups and by Congressional sponsors that we would like to see put to the test in well designed experiments before we decide on the one right solution. In addition to State experimentation, our study has focused on efforts of their own people to help those in their own communities.

Lastly the traditional responsibility of the local community to aid those of its members who are in need of assistance has become undermined by the tendency to impose solutions constructed in Washington. In bypassing the community, Federal welfare ignores local resources that could help support individuals and families as

they attempt to escape dependency. There is now general and, apparently, bipartisan agreement that the welfare system needs to be overhauled. While there is much consensus on the direction of reform, there are many issues for which there is no agreement. So, we are really proposing that we not lock ourselves into one particular welfare reform, and we want a system that will give the States the opportunity of experimenting.

There are several reasons for conducting many different demonstrations simultaneously. It is not obvious that what works in one part of the country would be effective some place else. Similarly, because the welfare population is heterogeneous, the needs of population subgroups will differ. The proposed demonstrations would free States to tailor assistance to the specific needs of these groups and the localities in which they live, while at the same time meeting broad, national goals for welfare. Also, because there is little agreement on the best approach to take, operating several demonstrations allows many new, innovative ideas to compete in a positive manner to discover how best to promte self-sufficiency and economic independence.

Federal legislation enacted since 1981 has given States new tools and increased latitutde to undertake employment and training programs designed to increase the self-sufficiency of welfare recipients. Numerous State governments have taken advantage of these laws to implement reforms which put a premium on reducing dependency and instilling a sense of pride and accomplishment among welfare recipients. Given the heartening response to the changes made to date, there is every reason to believe that new proposals will lead to significant reform.

My colleague, John Bode, will talk about the proposals in the Administration's bill.

STATEMENT OF HON. JOHN BODE, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, DEPARTMENT OF AGRICULTURE, WASHINGTON, DC

Mr. BODE. Mr. Chairman, the President has transmitted to Congress a proposed invitation to each of the States to restructure and improve our welfare system. The initiative to give our Nation's complete welfare system a careful reexamination allows us to get promising ideas for an overhaul of today's welfare programs. We expect States to come forward with ideas that bring some order to the unruly tangle of programs that are authorized at the State as well as Federal levels. Under this approach, the welfare system, rather than just a few programs, can be examined and improved.

States would file for waiver authority to establish demonstration projects that test alternatives to our present system. In certifying a demonstration, the State's filing would be considered in light of how it ensures that public assistance is an adequate supplement to other resources and how individual responsibility would be fostered while dependency is discouraged.

States would be allowed to incorporate into a demonstration project all of the Federal funding the State otherwise would receive from certain Federal programs and the State funding that would have been required. So that the entire welfare system is consid-

ered, States would be allowed to include in their demonstration projects any of the programs intended to alleviate poverty. The State's filing for demonstration waiver authority must make clear exactly what the State intends to do, including which programs would be included, who would participate, principles for eligibility and benefit determinations, the form and amounts of benefits, and innovative ways in which the demonstration is expected to meet both the needs of the low income population and reduce dependency.

We look forward to learning of the involvement of low income communities in supporting the efforts of individuals and families to become self-sufficient. Along with other specifics of the scope of the demonstration, the filing must describe the evaluation efforts the State plans to undertake. Of course, at the end of the demonstration, we intend to have acceptable evidence as to whether the demonstration succeeded in its objectives or not.

Mr. Chairman, the Governors have made it very clear to us that they need a single place in the Federal Government to bring their reform ideas. So, the President has proposed the establishment of an Interagency Low-Income Opportunity Board. The Board would certify appropriate State filings, oversee the demonstration projects, in particular to assure appropriate evaluations, and regularly report to Congress. The Board would be composed of its chairman, who would be appointed by the President, and representatives of the Departments with responsibility for the Federal programs that would be affected.

The Low-Income Opportunity Improvement Act of 1987 provides a reasonable course for reform of the system of welfare programs. Waiver authority would be broad enough to allow a community to improve the way the system works, not just this program or that program. Care would be taken that the rights of low-income people are protected, and that needs of low-income people are met. We would learn more about reducing dependency because we would have sound evaluations of the demonstrations, particularly helped by learning of the experiences of self-help leaders around the country, and in the hope that this will yield a system that is more hospitable to self-help initiatives.

Most important, State and community efforts to target the taxpayers' dollars better to those in need, to encourage employment, and to increase individual choice would result in more low-income families achieving self-sufficiency.

Senator MOYNIHAN. I have been trying to find an acronym for your agency—which we always do—but I find I cannot do that. [Laughter.]

Mr. BODE. I hope you are relieved.

Senator MOYNIHAN. I believe Dr. Blakeney is our next witness.

Dr. C. BLAKENEY. Dr. Ronnie Blakeney will speak first.

[The prepared written joint statement of Dr. Helms and Mr. Bode follow:]

Statement of

Robert B. Helms, Ph.D.
Assistant Secretary for Planning and Evaluation
Department of Health and Human Services

and

John W. Bode
Assistant Secretary for Food and Consumer Services
Department of Agriculture

Before the

Finance Subcommittee on
Social Security and Family Policy
U. S. Senate

March 2, 1987

In his State of the Union Address a year ago, the President called for an evaluation of all programs that meet the financial, educational, social, and safety concerns of poor families and a new strategy to promote "real and lasting emancipation" from welfare. In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group made an exhaustive study of welfare and poverty. This report, Up From Dependency, was based on discussions with Americans from all walks of life, including current and former welfare recipients, those who deliver public assistance, the nation's governors, government officials, scholars, and many others. The report assesses the welfare system and its successes and failures, describes the frustrations felt by America's poor, and proposes a basic change in public assistance policy, which has now been incorporated into legislation which was submitted to Congress last week.

America's public assistance system is composed of 59 major federal welfare programs on which federal and state governments spent more than $132 billion in fiscal year 1985. These 59 programs comprise a centralized welfare system that requires over 6,000 pages of federal law and regulation, is overseen by a score of Congressional committees, managed by eight major federal departments, through numerous agencies in the 50 states and

territories, through hundreds of thousands of welfare workers. The Census Bureau estimates that more than 52 million Americans benefit from some welfare program during the course of a year.

One of the most obvious problems with the welfare system is that this multitude of programs, with its excessively complex regulations, diverse eligibility requirements, and varying benefit levels often leads to confusion and demoralization for poor families seeking assistance. While each of these programs was developed to solve a specific problem, they have contributed to the welfare system becoming a maze of overlapping, and, in some cases, unresponsive programs -- a system which is also inefficient and expensive to administer.

From a policy-maker's perspective it can be difficult to keep sight of the different goals, different target groups, and different services of each of these programs. From the welfare recipient's point of view, the system is so complex it can be impossible to figure out how to get the help that is needed. Currently, families may have to go from office to office to apply for assistance from several programs. Even when programs are administered in one location, often a family will need to see different eligibility workers for different programs. Recipients also say that the rules and reporting demands often strip them of dignity and stigmatize them as lazy and dishonest.

Not only is the complexity of the system frustrating for recipients, but the trend toward non-cash benefits has diminished their personal choice and self-responsibility. Welfare recipients can spend cash to meet their needs as they see them, but with non-cash benefits they become more dependent on the decisions of others.

One of the justifications for the many and complex rules of the welfare system is that it ensures that welfare goes only to the most needy. Upon inspection, however, the complexity of the system often undermines this goal. In fact, current welfare spending is more than twice as great as the "poverty gap," or the amount it would take to lift all Americans above the official poverty level. This means that many Americans who are not needy receive welfare. This can happen when the rules do not specifically target those in need and when non-cash benefits and the income of other family or household members are often ignored in determining eligibility and benefits. Because individual needs and capabilities differ, public assistance benefits and opportunities should not be tied to a federally-determined standard. Whenever possible, precision must be applied to determine individual needs and benefits must be tailored accordingly.

The welfare system also creates incentives that undermine the attractiveness of work to welfare recipients. Many welfare

recipients can receive more on welfare than they can earn by working. There is no clear evidence on how welfare benefits should be structured to produce greater work effort. For example, altering the benefit reduction rate when earnings increase may promote work effort for some welfare recipients, but may provide incentives for others to reduce their work effort to get more welfare and leisure time.

Welfare's impact on poverty cannot be separated from its impact on families. Among the welfare poor today, families as we usually think of them often are not being formed. Since 1960, the percentage of babies born to unmarried mothers has more than tripled, and too often these babies are being born to mothers and fathers who are themselves only children.

Lastly, the traditional responsibility of the local community to aid those of its members who are in need of assistance has become undermined by the tendency to impose solutions constructed in Washington. In bypassing the community, federal welfare ignores local resources that could help support individuals and families as they attempt to escape dependency. The welfare system cares mainly that benefits and services are delivered and rules obeyed. Instead of involving citizens actively in their community's efforts to resolve its local problems, the modern welfare state

does not actively promote the integration of state, local and voluntary resources.

There is now general and, apparently, bi-partisan agreement that the welfare system needs to be overhauled. While there is much consensus on the direction of reform, there are many issues for which there is no agreement. Attempting to work them all out again on the national level could once again doom any meaningful welfare reform, as it has several times in the past. While we have some research on work requirements, when it comes to sweeping changes to restructure the whole welfare system, we have to honestly admit that current research and demonstration results do not provide a basis for knowing what will work and what won't on a system-wide basis. On this point, it's useful to remember past experiences with major "welfare reforms." Over a period of years, both Republican and Democratic Administrations introduced varieties of welfare reform proposals based upon the negative income tax. The Income Maintenance Experiments, the largest in Seattle and Denver, led to results contrary to initial expectations. As a result, even some of the strong supporters of those welfare proposals now agree that it was best that they were not adopted into national law. We need further experimentation, supported by sound evaluation, before we embark on national system-wide welfare reform.

As we examine the potential for reform, we must be as cautious in designing changes as we are firm in our commitment to make them. Millions of people depend on welfare for sustenance; untested changes in national rules and benefits can easily make matters worse. Our changes must be real improvements: they must encourage real self-reliance among individuals and families, and they must enable communities to strengthen themselves. There will be many proposals for sweeping restructuring of our complex public assistance system. Much of the work needed to rebuild the welfare system requires new conceptualization of old problems, bold innovation, and responsiveness to local conditions. Before we make changes to the system as a whole from the top down, we should seek evidence from the bottom up about what works in real communities and states.

There are several reasons for conducting many different demonstrations simultaneously. It is not obvious that what works in one part of the country would be as effective some place else. Similarly, because the welfare population is heterogeneous, the needs of population subgroups will differ. The proposed demonstrations would free states to tailor assistance to the specific needs of these groups and the localities in which they live, while at the same time meeting broad, national goals for welfare. Also, because there is little agreement on the best approach to take, operating several demonstrations allows many

new, innovative ideas to compete in a positive manner to discover how best to promote self-sufficiency and economic independence. Federal legislation enacted since 1981 has given states new tools and increased latitude to undertake employment and training programs designed to increase the self-sufficiency of welfare recipients. Numerous state governments have taken advantage of these laws to implement reforms which put a premium on reducing dependency and instilling a sense of pride and accomplishment among welfare recipients. Several rigorus evaluations have been done of the innovative reforms in AFDC, and we have learned valuable lessons from them: AFDC recipients want to work, and employment and training programs can give them the skills and experience they need to work. Given the heartening results of the states' innovations in AFDC, there is every reason to believe our new proposal will lead to other significant reforms in a broad range of programs.

Despite the negative impact of the Federal welfare system, there are hundreds of community self-help initiatives around the country. These projects are described in a separate volume of the President's welfare study. Any successful welfare reform effort must acknowledge the importance of creating solutions that can adapt to the unique character of 50 states and thousands of diverse communities.

The President's proposal, described later in this statement, presents a unique opportunity for those of differing perspectives to work together toward a vastly improved welfare system. It offers a chance to strengthen the existing system by creating an opportunity for testing new and better ways of helping the poor. The report, Up From Dependency, outlines 10 specific goals to guide states, local governments, community organizations, and individuals in building a better welfare system through innovative experimentation. These goals are:

1. Insure that public assistance is an adequate supplement to other resources in meeting essential needs.
2. Focus public assistance resources on efforts to reduce future dependency on public assistance.
3. Individualize determinations of need for public assistance, and make such determinations, to the extent possible, through local decisions.
4. Provide public assistance only to those in need and only to the extent of that need.
5. Make work more rewarding than welfare.
6. Require that those who are able to work do so for their public assistance benefits.
7. Encourage the formation of economically self-reliant families.

8. Require public assistance recipients to take greater responsibility for managing their resources, and encourage community-based administration of public assistance.
9. Create opportunities for self-reliance through education and enterprise.
10. Reduce the future cost of public assistance by reducing the need for it.

The "Low-Income Opportunity Improvement Act of 1987," which the President transmitted to Congress on February 26, 1987, and which has been introduced as S. 610, creates a process by which we can reach these policy goals. The report to the President emphasizes that welfare is a system of programs. Our legislative proposal treats public assistance as a system too. The bill provides broad waiver authority to make possible state-sponsored, community-based demonstrations of alternative welfare programs. A few programs currently have limited waiver authority to test alternative ways to meet their objectives. However, waiver authority does not exist which cuts across program lines to allow for systemwide demonstration efforts. We are proposing to allow states to incorporate into a demonstration the funding they otherwise would receive from any program that alleviates poverty. In addition, the program must either currently have a means test, either in law or in practice - that is, income and resources must be under a certain level in order to be eligible; or the funds must be distributed to grantees by some method which

includes the size of the low income population. This covers a wide range of programs.

There has been considerable alarm expressed about which programs might be included. We think that putting the criteria in the statute, instead of a list of programs, will make clear that we are talking about programs which are intended to help low income people. The report to the President includes a table of the anti-poverty programs we have identified. We don't expect that any state will want to include in its demonstration all of the programs which currently fit these criteria. In fact, there probably are some means-tested programs which no state would want to include. All the same, it is important to recognize the systemic nature of welfare. Under the bill, we'll look closely at a state demonstration that proposes to include any program fitting the general criteria.

The state's filing for demonstration waiver authority must make clear exactly what the state intends to do; specifically, which programs will be included, who will participate, principles for eligibility and benefit determination, the form and amount of benefits, and innovative ways in which the demonstration is expected to both meet the needs of the low income population and reduce dependency. Involvement of communities in supporting the efforts of individuals and families to become self-sufficient must be described. Along with other specifics of the scope of

the demonstration, the filing must describe the evaluation efforts the state plans to undertake so that at the end of the demonstration we will have generally acceptable evidence as to whether the demonstration succeeded in its objectives or not.

One thing we've heard over and over again in discussions with the Governors is that they need a single place to which they can come to get federal approval for their welfare reform ideas. To accommodate these wishes, we propose that state filings be submitted to an Interagency Low-Income Opportunity Board. The Board will be made up of representatives of the Departments with responsibility for the major public assistance programs. The Board's Chairman will be appointed by the President. The Interagency Low-Income Opportunity Board is intended to speak with one voice to the states while still reflecting the various voices of the executive agencies responsible for public assistance programs. If the Board's Chairman determines that a filing meets the programmatic and budgetary requirements in the bill, that the civil rights of individuals and families, under all applicable laws, will be protected and that the proposed demonstration is structured to permit a sound evaluation of its results, the filing will be certified.

The agencies with responsibility for the programs included in the demonstration will make estimates of the amount of funds the demonstration site would have received during its first year

under the laws then in effect. That will be the amount payable to the state for expenditures under the demonstration. Since many of these demonstrations will not be statewide, the federal agencies will have to review and use information supplied by the states to determine just what the funding for the included programs would have been in the communities included in the demonstrations. Each year's funding for the demonstration will be calculated based upon the laws in effect for the included programs. What this means is that if the allocations or funding levels for national programs change, the demonstrations will be affected in the same manner. We think this method of funding will show the continued support of the Administration for the demonstrations.

We think our commitment to the demonstrations is evident as well in the provision that permits states to keep any funds they save by making gains in reducing dependency. The bill would permit a state to put these savings to any use which primarily benefits the low income people of the demonstration area.

We have confidence that both federal and state welfare program resources could be used with considerably more effectiveness if we gave governors the flexibility to design demonstration programs according to the needs and realities of their states and communities. Governor Sununu of New Hampshire made clear in his remarks before the Committee on Ways and Means that if the choice

were more dollars with federal strings or more flexibility to use the dollars he was getting now, he'd want the flexibility. We believe many governors share that view. As documented in Up From Dependency, there is sufficient Federal and state funding out there now in dozens of programs to both reduce dependency and meet the needs of those who cannot provide for themselves. What we need to do is make the best use of the resources that we possibly can.

The bill also provides for sound evaluation of the demonstrations. This is a hard lesson we learned with the CETA and WIN programs. Like the negative income tax proponents, every advocate of a program is sure that it will succeed. However, work and training programs haven't always had the kind of evaluations which stand up to scientific scrutiny. Evaluation can provide the means to contemplate policy changes. For example, today it is hard to find someone who disagrees with the idea that AFDC recipients should participate in work activities. One important reason for the consensus is that there have been a series of well designed evaluations of the impact and cost effectiveness of these work activities. They work and we can show it. So our bill provides for evaluations of the demonstration programs, so that the results will be carefully measured.

The Governor in the state undertaking a demonstration must submit a final report to the Board assessing the demonstration's achievements and shortcomings, including recommendations regarding the demonstration's national significance. The Board's chairman must submit an annual report to Congress regarding the progress of the demonstrations.

In summary, we think the Low-Income Opportunity Improvement Act of 1987 provides a reasonable course for reform of the system of welfare programs. Waiver authority will be broad enough to allow a community to improve the way the system works, not just this program or that program. Care will be taken that the rights of low income people are protected, and that needs of low income people are met. We will learn considerably more about what works to reduce dependency because we will have sound evaluations of demonstrations drawing from the bottom up on the experience and innovations of communities and states.

Most important, Mr. Chairman, state and community efforts to better target welfare resources, eliminate or reduce work disincentives, increase individual choice, and strengthen families will result in new and exciting opportunities for low-income individuals and families to increase their social and economic self-sufficiency.

Mr. Chairman, we believe that the President's proposal offers an exciting opportunity to improve the effectiveness of this nation's welfare system. We know you share our belief that the current system is badly in need of reform. We look forward to working with you on the passage of welfare reform legislation this year that would provide both broad demonstration authority for states to reform the welfare system as a whole, and that would provide immediate opportunities for AFDC families through the Greater Opportunities through Work proposal.

STATEMENT OF DR. RONNIE BLAKENEY, CLINICAL DIRECTOR, BERKELEY ACADEMY FOR YOUTH DEVELOPMENT, BERKELEY, CA

Dr. R. BLAKENEY. I am Dr. Ronnie Blakeney, and I am clinical director of Berkeley Academy, and have been working for welfare reform in varying capacities for 20 years.

I was a community organizer and sponsor for welfare rights in New York, California, and here in Washington. With my husband, Charles, I consulted with then Governor Reagan's administration on welfare reform in California; and most recently, we advised the National Association of Neighborhoods on a 22 city study of the experiences of welfare recipients and former recipients. Today, I will summarize the findings which my husband and I describe in detail in the forthcoming volume, "Dilemmas of Dependency: A View from Across the Nation."

In neighborhood roundtable discussions with over 200 predominantly former welfare recipients, we learned that welfare is both an economic problem and a moral problem, and it has been for years. There was a time when welfare was the means by which the Government took care of those who were unable to care for themselves; but from all across the Nation we heard a groundswell, a mandate, a movement to not only reform, but reformulate the welfare system.

Neighborhood roundtable participants told us that the time has come to abandon our paternalistic system and to form a new alliance, a new partnership between those who need assistance and those who provide it. This partnership must reflect a commitment to respect the dreams of those in need and to reignite determination of the poor to become self-reliant.

We found substantial agreement on basic principles.

We Americans believe as much in helping those in hard times as we do in the possibility of achieving dreams through opportunity and determination. We Americans believe in justice. We believe that our rights must be balanced with responsibilities.

The question—and to my mind, the only question—up for debate is: How do we create a strategy which ensures a fair balance between the partners, a balance between rights and responsibilities which is more than a deal, in which we do more than punish those who fail to comply and reward those who cooperate? How do we create a partnership which ensures justice and compassion?

In our 22-city study, former and current welfare recipients told us that for individuals and families to climb up from dependency, people must be allowed to use their own will and determination, and appropriate transitional resources and opportunities must be provided to help achieve self-reliance. In the study, we asked the roundtable participants who should decide about the appropriate match between dreams, determination, and transitional resources.

We asked how they themselves had succeeded in moving beyond welfare. There was substantial agreement on basic ideals: that there is dignity in labor; that family formation and maintenance was usually better than solitary struggle; that people need transitional resources in their efforts to move beyond dependency; that

people want to control their own destinies to the extent that doing so is compatible with family and community life.

All across America, we heard stories of courage, pride, and determination. Single mothers who organized day care cooperatives and craft cooperatives and import-export business in Baltimore. We talked with former steelworkers who had retrained as accountants and librarians, and with former farmworkers who became secretaries, administrators, and factory workers. We talked with physically handicapped attorneys and with older Americans who created a food bank.

We talked to people who could hold their heads high, and whose children could look up to them. And when asked how they might reformulate the system consistent with their ideals, there were many different and often contradictory ideas of what would work and how to help. In some communities, there was substantial agreement that absent fathers should be required to contribute child support or to perform community service. But elsewhere, there was agreement that too many nonsupportive fathers were either dangerous to have around their kids or former spouses, or likely to disappear from their children's lives all together if their support were being monitored.

In some communities, people argued that basic welfare grants should not be increased if the recipient has more children, while such notions were very controversial in other parts of the country. Some groups suggested that those who refused to participate in work or training should receive no welfare benefits. Others argued that everyone was entitled to basic needs and that children shouldn't be allowed to suffer from their parents' failure to provide support.

Still others felt that children should be removed; and others that children should not be removed except when they were being abused. In other words, all across the nation there was agreement on principles and disagreement about how best to achieve those goals. And that is the essence of our democracy. So, I have come here today to argue for what the administration calls local demonstrations. I do so not because we don't know how to solve the problem of dependency, but because we do know. We must restore the decisionmaking and consequence-determining responsibility to local communities.

We must return to a means of helping which taps the moral agency of individuals and calls upon their sense of responsibility, and which ties success and failure to interpersonal and community consequences. Roundtable participants asked for the restoration of moral authority to individuals, families, and communities. There is a groundswell all across the Nation to structure a new alliance. On their behalf, and for all of us, I ask you to let a thousand flowers bloom.

Senator MOYNIHAN. That is a very delicate statement. Remember what happened to people who took Mao at his word. [Laughter.]

Dr. Blakeney.

[The prepared written statement of Dr. Ronnie Blakeney follows:]

STATEMENT OF DR. RONNIE BLAKENEY

I am Dr. Ronnie Blakeney. I am clinical director of Berekley Academy, and have been working for welfare reform in varying capacities for 20 years. I was a community organizer and sponsor for Welfare Rights in New York, California and here in Washington. With my husband, Charles, I consulted with then Governor Reagan's administration on welfare reform in California, and most recently, we advised the National Association of Neighborhoods on a 22 city study of the experiences of welfare reciepients and former recipients. Today, I will summarize the findings which my husband and I describe in detail in the forthcoming volume: Dilimenas of Dependency: A View From Across the Nation.

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STATEMENT OF DR. CHARLES BLAKENEY, BERKELEY ACADEMY FOR YOUTH DEVELOPMENT, BERKELEY, CA

Dr. C. BLAKENEY. Thank you, Senator. I am Dr. Charles Blakeney. It is a privilege to be a part of this historic bipartisan attempt at the reform of low income assistance programs. It represents a dramatic change in U.S. social policy, with a new moral foundation. I am going to address the question: How would former recipients change the sytem, based on their personal experiences? I bring to the question several layers of point of view. First, I am one of 13 brothers and sisters who grew up in a welfare-supported family. My twin sister raised her five kids on AFDC for 20 years. I was a social welfare major in college, a social welfare consultant throughout the Nation, and for the last 8 years I have directed a private, nonprofit child welfare agency which my wife and I founded in California.

Most recently, I had the opportunity to consult with the National Association of Neighborhoods on the 22 city study whose results my wife has summarized. Today, I will share the experiences of those who have seen poverty and public assistance and moved up from dependency.

Former recipients overwhelmingly felt that any genuine reform calls for a redefinition of fundamental roles, relationships, and responsibilities between various levels of Government, community institutions, and individual recipients. The major flaw in the current system, they told us, is the "en loco parentis" service delivery model wherein Government acts in the role of the parent, thus encouraging a child-like dependency in the recipient, and sapping the moral authority of families and communities.

Recipients asked us not to repeat the mistakes of the past. In Compton, California, Juanita told us that when her husband left her and she went on AFDC, she was better off financially than she was working, largely because of the subsidized housing. "But I hated being dependent—having someone else tell me where to live and what to do, controlling my life. I would rather work. It is hard to work full time and be a good parent, but at least I am on my own, I am independent, and I am taking care of my kids."

Given this perspective, the challenge of the new reform is the redefinition and restructuring of old systems. "We don't want to be treated as recipients," they told us. "We want to be full participants." Recipients want to be partners in decisionmaking, rulemaking, and rule-enforcement.

Our research at Harvard shows that when people help to decide what is fair, they understand and respect the rules more. Recipients proposed a restructuring which would eliminate the "we/they" adversarial relationship and would legitimize the process in their eyes. Participation as partners is likely to prevent the recreation of another ineffective and paternalistic bureaucracy. All across the country, former recipients told us that the system was adequate for helping people to get on public assistance, but rarely if ever did the system help them to get off aid and become self-sufficient. Rarely, indeed, did workers even ask applicants about their dreams and aspirations. The system is the given and the applicant is the receiver.

Participants said that people must become more responsible for the consequences of their choices. Around the nation, former recipients recommended that participants be involved in designing and monitoring new system including such broad aspects as the role of the absent father, work requirements, eligibility criteria, time limits, benefit levels, and consequences for failure to make progress toward agreed upon goals in education, training, and work.

In addition to restructuring roles and relationships, any genuine reform must build and enhance basic community institutions. The Government's approach to helping the poor must cease undermining existing institutions. From Appalachia to Miami, from Watts to South Bend, recipients asked us to allow the moral authority of parents and community leaders to flourish. And moral authority comes from exercising responsibility. Former recipients had almost complete agreement that community involvement also harnesses peer pressure and support for changing any habits, norms, and values which must be promoted.

How do we achieve this new partnership? In order to accomplish this partnership, new and different types of alliances are necessary. They argued for a variety of more meaningful, locally relevant, and more democratic modes of helping the poor without perpetuating the moral imbalance of dependency. Any approach to helping should promote and enhance individual and community self-help efforts.

Mabel, a young mother in New Orleans, summed up the point of view of the majority of neighborhood roundtable focus group participants: "Make people better themselves, become independent, raise self-esteem. If we run our own welfare system, it would teach all the people the value of self sufficiency and help our community to grow, too." Mabel's is only one story. I strongly encourage you to examine the testimony of hundreds of others in the study, "Dilemmas of Dependency: A Report from Around the Nation," which will be available soon. Thank you.

Senator MOYNIHAN. Thank you, Doctor. The "Dilemmas of Dependency" will be coming forward from the Office of Policy Development?

Dr. C. BLAKENEY. That is correct, Senator.

Senator MOYNIHAN. Good. For those who don't know, we are hearing testimony in part from the report to the President by the Domestic Policy Task Force, Low-Income Opportunity Group.

Dr. C. BLAKENEY. It is in a separate volume, Senator.

Senator MOYNIHAN. It is Volume II?

Dr. C. BLAKENEY. It is supplement 5.

Senator MOYNIHAN. Next, and last in the panel, and then we can get on to talking with one another, is Robert Woodson, who is President of the National Center for Neighborhood Enterprise. Mr. Woodson, we welcome you this morning.

[The prepared written statement of Dr. C. Blakeney follows:]

PREPARED STATEMENT OF DR. CHARLES BLAKENEY

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STATEMENT OF ROBERT WOODSON, PRESIDENT, NATIONAL CENTER FOR NEIGHBORHOOD ENTERPRISE, WASHINGTON, DC

Mr. WOODSON. Thank you, Senator. I am here also representing the Council for a Black Economic Agenda, a cross section of black Americans including former welfare recipients, residents of public housing, business leaders, as well as economists and other scholars. Three years ago we first met with the President and members of his Cabinet to bring to them concrete and specific solutions to social and economic problems facing poor black Americans. These issues deeply concern me, having spent many years in the civil rights movement leading demonstrations about justice and social reform on the part of black Americans. I realized, however, back in the 1960s that many of those who struggled most benefited least which caused me to leave the civil rights movement and begin to work more directly with low-income people.

On October 29, 1965 a Washington Post article with banner headlines quoted civil rights leaders saying the civil rights gains did not benefit poor blacks, that their problems could not be solved by race-specific solutions, but by economic development. In order to address the needs of low-income black Americans, we must have policies and programs to promote economic and social well-being.

Despite this 20 years old knowledge, we continue to press race-specific solutions to address what are otherwise economic problems. A consequence is that one-third of the black community now is in danger of becoming a permanent underclass despite the billions of dollars spent on povery programs intended to help.

When we had the opportunity to participate with the administration in shaping welfare reform, we were compelled to do so. As others have pointed out, council members and grass roots people participated in the focus group discussions. We were pleased that the administration followed our advice to conduct hearings around the country in low income communities. An inventory of more than 400 self-help groups indigenous to these communities was conducted. For the first time in my professional career, an effort was undertaken to solicit the views directly from those experiencing the problem.

As a result the administration's proposed welfare reform should be given a fair chance. Obviously, parachuting solutions into low-income communities from outsiders who do not suffer the direct consequence of welfare with the expectation that the poor would participate—the pattern over the last 20 years—does not work.

More must be done to glean knowledge from those experiencing the problem. Some very helpful information has emanated from the grassroots. In our work at NCNE, we work with residents of public housing nationwide. Five years ago here in Washington, DC, 76 percent of the 3,000 residents Kenilworth-Parkside, were on welfare. After the responsibility for managing that development was turned over to the residents welfare dependency was reduced to 30 percent through their own self-help efforts discipline, and the imposition of sanctions and incentives. Before resident management only two children of the 464 families ever went to college—only two. A group called College Here We Come, organized by the resi-

dents, changed that. To date more than 580 kids from Kennilworth/Parkside have gone on to college.

NCNE commissioned a study by Coopers and Lybrand to determine the cost savings of Kenilworth's self-help efforts, as a result of their collective efforts, not only did welfare dependency decline, and teen pregnancy reduce by 50 percent, but it was determined that this development would save the Government about $4.5 million over 10 years and at the same time effect dramatic reforms, and improve the quality of life. We have studied experiences like this at Kenilworth and other cities, and found that one reason residents are successful is that they provided an environment that promoted small businesses. In Kenilworth, 150 people are employed in ten small businesses. In another housing development, 300 people are employed in small businesses.

Those involved in the self-help movement face tremendous barriers that can only be addressed through welfare reform. Increasing welfare payments would not have brought about the dramatic changes that I have just mentioned.

What would make a difference is the removal of specific barriers. For instance, if a person on welfare wants to make afew extra dollars and he is given a typewriter worth $1,000, this asset makes him ineligible for welfare benefits. In Baltimore, Maryland, four welfare recipients organized a maintenance company. And as soon as they began to make a profit and began to employ other welfare recipients they reported their efforts to the welfare department. Their income was deducted from benefits dollar for dollar, but they were not allowed to write off any of their losses.

These kinds of barriers to self sufficiency are exactly the kind that could be waived by welfare reform.

England and France and The Netherlands and other European countries have been experimenting by allowing welfare recipients and people on unemployment compensation to collect the benefits in a lump sum to start small businesses for themselves. In addition, training in small business development is provided.

Since 1979, thousands of former welfare recipients and unemployed people have formed businesses with an 70 percent success rate. One recipient employs 53 other people. This experiment now has been extended to Australia, and other countries. This type of innovation should be investigated to determine how it can apply in the United States.

My point, Senator, is that there are a variety of innovative, creative solutions at the local level that cry out for acknowledgement and that we should do everything we can to determine how we can make use of what we call the islands of excellence.

And then finally, there is an area of reform that also must be addressed, and that is foster care and adoption. People don't normally think of that as welfare reform, but we think it is. We believe that there is a crisis when 167 healthy babies are being cared for in hospitals in New York City. Most are black children, yet we are told that the reason this crisis exists is because of the unwillingness of Black families to adopt. Yet, if you look at informal adoption, 1.4 million Black children are cared for annually in the informal system, by friends and relatives.

So, the question that cries out to be answered is: If black communities historically adopt their children in record numbers informally, why are the 300,000 children in the formal public system, (half are black) not being adopted?

We believe that barriers imposed by the social welfare bureaucracy discriminate against black families in a variety of ways. It is not because of the unwillingness of Blacks to adopt. Such barriers must be eliminated if we are to restructure welfare. 50 percent of the homeless youth on the streets of New York City have graduated from the foster care system; one-third of the children who remain in the foster care system for a long period of time end up in prisons; and the mortality rate of foster children is twice the national average. In other words, the foster care system is incubating tomorrow's criminals at public expense in the name of saving children.

This crisis must be addressed. The Council for a Black Economic Agenda and the National Center for Neighborhood Enterprise intend to address this issue aggressively over this next few weeks by asking the Attorney General of the United States, as well as the NAACP Legal Defense Fund, to investigate whether or not the collective impact of current social welfare policies have the effect of discriminating against black families who want to adopt children. We would earnestly ask the Senator to receive some of our data and investigate this as a part of your review of welfare reform. Thank you.

Senator MOYNIHAN. Thank you. Before we go to general questions, I thank you, Mr. Woodson. You are the first person in a very long list of witnesses who has raised this question of foster care, and I cannot agree more. In New York City, we take children and send them through this system, such as it may be called. And at age 18, we consider them a graduate and just turn them out into the city, on their own. You wouldn't dare do that with one of your own children.

Mr. WOODSON. No.

Senator MOYNIHAN. Dorian said this is correct—stats are from HRA? And about one-third after about 2 years are on welfare. And I don't want to be melodramatic, but at least when you leave prison, you get a suit of clothes and $25.00. [Laughter.]

[The prepared written statement of Mr. Woodson follows:]

Robert L. Woodson

Senator Moynihan and other distinguished Members...

I am Robert L. Woodson, president of the National Center for Neighborhood Enterprise and chairman of the Council for a Black Economic Agenda. The views I express today are my own and do not necessarily reflect those of the board, funders, or staff of either organization.

I am extremely pleased to have the opportunity to address the Senate Subcommittee on Social Security and Family Policy on an issue that deeply concerns me--welfare reform.

Today's hearing is a major step in the process of overhauling a system that has trapped millions of Americans in dependency and hopelessness--a welfare system that not only subsidizes poverty but saps individual initiative.

During my career and active advocacy on behalf of low-income Americans, I have met and worked with local neighborhood leaders and groups who have launched successful community-based programs and strategies for solving the most difficult of social and economic problems. They have been able to do this, first, because they are grounded in the communities where the problems exist and, second, because they involve those experiencing the problems in developing strategies for solving those problems.

And they don't accomplish this challenging feat because they have large endowments or massive infusions of federal

dollars. Quite the contrary.

These self-help intiatives often operate on mere shoestring budgets . . . but they have become the lifeblood of inner city urban and rural neighborhoods all over America.

I am here today to acknowledge my strong support both for these islands of excellence and for the Administration's innovative welfare reform proposal--the result of input from grassroots groups, local leaders and hundreds of current and former welfare recipients.

It is the only effort I know of, public or private, where the input from those experiencing the problems was actually included in the final program design.

The year-old welfare study group, chaired by White House Domestic Policy Adviser and Special Assistant for Welfare Reform Charles D. Hobbs, convened public hearings in seven major cities and commissioned the National Association of Neighborhoods to conduct dozens of roundtable discussions on the welfare system in churches and neighborhood centers around the country. The group also directed my organization, the National Center for Neighborhood Enterprise and Macro Systems, Inc., a research consulting group specializing in a variety of social disciplines, to document the self-help efforts taking place nationally.

The result is a slective inventory of more than 400 programs and groups nationwide that are providing

ladders out of dependency for millions of poor Americans.

It is critical that we push for reforms to empower these self-sufficient community-based groups to play an even greater role in addressing the problems of low-income and minority families.

The Administration's new bottoms-up approach will provide an unprecedented opportunity for innovation and development--the opposite of the current system of maintenance and dependency.

The current system has done little to encourage the formation of stable economically self-reliant families, for example. In fact, the increase in single parent families is perhaps largely attributable to a system that rewards out-of-wedlock births and punishes struggling low-income, two-parent households. Another major problem is the generations phenomenon surrounding the current system; that is, if you're on welfare today, then it is possible that your mother was and highly probable that one or more of your children will be.

According to a Roanoke, Virginia, woman who participated in one of the roundtable sessions last fall:

"If your're on welfare, your're trapped. There is no way to go up when the system is pulling you down. Your child sees you day in and day out. Your incentive is gone. What's that going to do to your kid's incentive. If she sees me sitting on my behind, she'll sit on her behind."

This very real fear--of generational welfare dependency--motivated this woman to find employment. But as we all know, this kind of fear doesn't motivate everyone. Often, in fact, such fear can be paralyzing.

What is needed is a reformed system that will enable people to regain control of their lives by providing positive incentives and inducements.

For example, the transference of a recipient's often critical medical benefits to a prospective new employer would be a major incentive to work as well as inducement to hire.

Conversely, toughened eligibility rules tied to a "recovery support plan" that would match up an individual's skills with job-training and placement services that could be strictly monitored by a locally-elected welfare board is yet another suggestion to come out of the roundtable discussions and hearings.

In short, the major thrust of reform according to those either formerly or currently receiving benefits should be the empowerment of communities to design and implement systems that will work for them.

We must dismantle the professional service bureacracy with its powerful disincentives for maintaining people in poverty.

The Administration plan would certainly complement such a challenge. It is essentially a five-year demonstration in

which states may waive federal program rules to implement a variety of community based experiments to promote self-sufficiency.

Right here in the District of Columbia we have an outstanding example of what can be done by low-income citizens who are given control of their destinies.

In 1982, a Resident Management Corporation was formed at the Kenilworth-Parkside public housing development in Northeast Washington. In that year, 76 percent of its nearly 3,000 residents were welfare residents. Within two years, this figure had been cut by 50 percent, teenage pregnancies reduced by 50 percent and crime in the complex by 75 percent. And "a College Here We Come" program started by residents has sent over 500 youngsters on to higher education.

By exercising greater control and independence over many of the issues that affect them directly, the residents of Kenilworth have not only assisted people off welfare by placing them in jobs and businesses, they have also kept families together by returning husbands to households. Entrepreneurial activities, always encouraged, have resulted in a self-contained network of small businesses in and around the complex.

Under the Administration's proposal, the Kenilworth-Parkside Resident Management Corporation would be given demonstration authority to administer a program called the

"Washington Family Plan," which would convert a variety of assistance categories into a fund for small business loans, job training, day care, and other supportive services. Similar demonstration authority would be granted to all 50 states.

The implementation of long-term demonstration projects--with annual assessment periods--should generate the innovation and new approaches so desperately needed by millions of low-income Americans.

Thank-you.

Senator MOYNIHAN. Now, thank you all very much. Senator Daschle will be back with us in just a moment. I want to thank you for being very precise and very explicit in your testimony and very positive. I mean, this is as welcome a set of views as we have had. It comes not just from the authority and the competence of the people involved, but you are speaking on behalf of the President of the United States, which adds a little something to the attention getting quality of any testimony.

Senator Daschle, you made your way here, like a good man from the high plains, last Monday, when the only people who were in the building were those who got stuck the night before. [Laughter.]

Would you like to make an opening statement, sir?

Senator DASCHLE. Thank you, Mr. Chairman. You have a lot of witnesses this morning. I am very interested in hearing them, and I might have some questions following their testimony, but I appreciate the opportunity.

Senator MOYNIHAN. Thank you. Why don't you just join with me? We have been hearing Secretary Helms and Secretary Bode who have been speaking along with the Doctors Blakeney and Mr. Woodson, on the report to the President from the Low-Income Opportunity Working Group of the Domestic Policy Council. We hear some things that are common to so much of the testimony. First the problem is dependency; we want to address that question, which is a different one from poverty in some ways and obviously one least amenable to simple solutions of a kind that you can devise for health care and the like.

We hear the idea of contracts, something very essential that the Governors proposed. The idea is to attempt to create actual contracts between the persons receiving public assistance and those who are providing it. "For example, a recipient will say to the state, I will finish high school, and you will see that I have the wherewithal to do it." We hear the idea of experiments. We hear that very strongly from the Blakeneys: let 1,000 flowers bloom, says Dr. Blakeney. We have heard from the different States and communities about all manner of intended innovations and the efforts to keep track of the results.

You should know there is some measure of caution about how well the evaluation techniques followed the course of innovations—the sort of process of pulling up the carrots to see if they are growing or if they had a little difficulty. [Laughter.]

But still, in California, as Senator Daschle, you will remember that we were hearing on Monday last, they are not only moving toward a written contract, but there is a 3-day cooling off period after the contract is signed; so, you go home and say: Did I really say I was going to finish college by next June? You know, something like that. And then, in the event of disputes about whether each is keeping up his side, there are going to be arbitrators who are quite independent to mediate them.

It is rather striking that the one Governor who did not vote in agreement with the Governors Conference was the Governor of Wisconsin, perhaps with the view that they are already so far ahead of the rest of the country that there is nothing for them to learn, which is something that has not been unknown in Wisconsin. That seems to be the fact.

I guess I want to ask two things of our panel and the administration witnesses specifically might want to speak most directly to them. You list $132 million——

Mr. BODE. Billion.

Senator MOYNIHAN. Billion, billion, billion—these things get easily interchangeable, I am afraid——

[Laughter.]

In terms, you say, of your low-income assistance programs, which are then referred to as 59 major Federal public assistance programs. The first thing to note of the $132 billion is AFDC, what we call Title IV of the Social Security Act, which comes to $14.7 billion—in round terms, 11 or 12 percent. It is a very small program, food stamps being almost equal in that respect.

I do want to acknowledge a proliferation, if not indeed a profusion. For example, you list the Low-Income Home Energy Assistance Program. Well, I remember when that was established in 1977 in the course of the repeal of the Windfall Profit Tax and so forth. And it was quite literally a phenomenon we see in the executive branch all the time. Dr. Nathan will be testifying later, and at one point in the administration in which he and I served, there was an effort to establish a guaranteed income. It was doing very well in the Department of Health, Education, and Welfare; but along came the Department of Housing and Urban Development with a guaranteed housing proposal. Everybody was guaranteeing that year.

And in this case, the Energy Committee wanted to have a poverty program. The Agriculture Committee got one in food stamps and so forth, and now they wanted one; and these things tend to migrate and they look a little unwieldy when you get to them.

On some of these things, as you know, there will be open disagreement. Do you define the Pell grants as public assistance for low income perons or do you define them as scholarships? You know, you can have it either way. Is Head Start a low-income program or is it just another kindergarten? The same thing with vocational education; if you take the vocational educational grants to States, they go back to World War I when they would teach people to be machinists.

So, we can argue about that if we want to. I don't want to. That is not what we are here for. I want to hear about what you mean by waiver authority. What are you asking us to give you? In these programs, a portion goes to most of the States. It will vary a bit, but most of these programs are spread pretty evenly across the States. Would you like us to give authority for a State to say: Now, I am going to cash in our food stamp program, or cash in the section 8 housing assistance? Dr. Helms? Mr. Bode? Tell us what you want us to do.

Mr. BODE. In essence, all of the above, Senator.

Senator MOYNIHAN. Oh, really?

Mr. BODE. We feel the State should have the flexibility in addressing the various programs that have at least one goal of alleviating poverty. We certainly don't expect States to come forward and include all of the various programs. We would be surprised if that occurred.

I suspect that many programs, or at least a number of programs, that have as one of their goals the alleviation of poverty would not

be touched by any demonstration effort. However, we think it is important to put on the table the authority for States to come forward with their ideas and their proposals for how we might make better sense out of this total approach of combating poverty and allow them to modify the existing rules for the various programs and redirect the Federal funding they otherwise would have received through those programs to do a better job of more efficiently and effectively fighting poverty.

Dr. HELMS. Let me add, Mr. Chairman?

Senator MOYNIHAN. Wow. Yes, sir?

Dr. HELMS. Let me add also that we particularly put into the language of the bill that the purpose of these programs would be that they would be judged on their several principles including their ability to help the people who were helped by these other programs which they are going to include.

In other words, specifically that the program that the State would propose is for the purpose of helping low income populations.

Senator MOYNIHAN. I see you have included Medicaid, and you have not been shy about it. [Laughter.]

And the social services block grant, Head Start, community services, legal aid, JTPA, and the Job Corps, and Pell grants, and Upward Bound, and VISTA and Indian Social Services, the Cuban and Haitian resettlement, and—this is new to me—what is Follow Through?

Dr. R. Blakeney. That comes after Head Start.

Senator MOYNIHAN. Aid to deficient golfers——

[Laughter.]

Oh, it follows Head Start?

Dr. R. Blakeney. Yes, it comes after Head Start.

Mr. BODE. Mr. Chairman, the point we would like to emphasize is this is an invitation to the States, for them to examine the various efforts that are underway to alleviate poverty and to bring forward their ideas for how we might restructure those efforts to do a better job of going about the goals that I think everyone shares.

Senator MOYNIHAN. You couldn't be more explicit. Mr. Woodson?

Mr. WOODSON. Yes. One of the concerns that most of us have is that when we exercise control over our own lives, we make selections every payday. Are going to pay a little more for child care or a little more for food? We make tradeoffs every week. Poor people do not have the same luxury. Their aid is given in a variety of ways, food stamps, medicare, etc. have little control over their expenditures and even less choice.

Some of these benefits should be "cashed out" so poor people can exercise some of the same options that middle class people do in making determinations, some can be used for job training or for day care and so forth.

Senator MOYNIHAN. I hear in all of this a very strong echo of the community action programs which were begun under the Office of Economic Opportunity in the 1964 legislation.

Senator Durenberger, we are just finishing up a very impressive set of presentations on behalf of the Administration. Our guests spoke about the President's legislation which was introduced last week and the administration report, "Up from Dependency." The most specific proposition to us has been that the administration is

proposing that there be waiver authority given the States for some 59 major Federal assistance programs that come in fiscal year 1985 to some $132 billion. Senator Daschle hasn't spoken yet, but would you like to open?

Senator DURENBERGER. Thank you, Mr. Chairman; I will defer to Senator Daschle.

Senator DASCHLE. Mr. Chairman, if you are entertaining other questions, I have a couple I would ask of Mr. Bode and Dr. Helms. In light of what Mr. Woodson just said with regard to the lack of flexibility on the part of many of the recipients, how does that relate to what Dr. Helms and Mr. Bode said in their statement on page 4 that there is no clear evidence on how welfare benefits should be structured to produce greater work effort?

Dr. HELMS. Let me say that there is a lot of research—and you are going to hear from Dick Nathan and other people on the panel today—on this issue of how to induce work effort. But let me say that there is a good bit of controversy, I think it is fair to say, in the academic community about what works on this. As somebody has said, one thing we seem to know is that work works; but there is a notion here that there are lots of good ideas. The contracting concept is one that several Governors have put forward. Other people have other ideas and so on.

What we are saying is let's put all of these to a fair test. We have tried to put a strong evaluation component into our bill. Let's let people come forward with their own proposals, and let's test them and see if some of these ideas that people are really putting forward really do work.

Senator DASCHLE. Do you think that ultimately you can come up with some generic solution?

Dr. HELMS. That is the hope. In an extended period of letting a lot of new ideas and concepts be tested, that we will then have better evidence on which to propose a national solution; but we are really not at that point at this time.

Senator DASCHLE. You mentioned this relationship between benefits and work effort. You say that altering the benefit reduction rates when earnings increase may promote work effort for some welfare recipients, but may provide incentives for others to reduce their work effort to get more welfare and leisure time. Is that a commonly held view within your agency, that there are those who really would prefer more welfare and leisure time, and you want to provide a mechanism whereby that motivation can be eliminated?

Dr. HELMS. I think the evidence is that, when you go out and ask people if they really want to work, the vast majority of people on AFDC, for example, say that they would much prefer to work. I think only about 13 percent ever give a reason why there is not a job available and why they are not working. So, there is a strong desire to work, I think.

A lot of people feel trapped in the system, that the rules prevent them from doing that.

Senator DASCHLE. Mr. Woodson.

Mr. WOODSON. Looking at our demonstrations, we find right now that current policies fail to make any distinctions between those who are poor because they are responsible and those who are poor because they lack opportunity. Consequently if you are delinquent,

there is a program for you; if you are pregnant, there is a program; if you are an alcoholic or a drug addict, there is a program. There is an old adage: You get more of what you reward and less of what you punish. We don't reward people among low income groups who are responsible and want to help themselves. If you look at our public housing demonstrations, where the folks across the country have taken a very desperate situation—crime rates, a hostile environment, where police wouldn't even patrol after 5 o'clock—and how they have been able to convert that into one of the safest places in these cities, through a system of community imposed sanctions and incentives. If someone is living in an a two-room apartment and they become pregnant, for example, they do not automatically get a three-bedroom apartment. Also, there are high expectations—people are fined if they break windows, or don't maintain their property.

These are sanctions that are imposed by poor people on their peers resulting in a dramatic change in behavior. Too often we tend to act as if poor people are incapable of setting standards for themselves. Policy must provide the means for the people who are responsible to succeed and for those who are not responsible to be sanctioned.

Senator DASCHLE. And so, the waivers?

Mr. WOODSON. The waiver would help, in a case that I mentioned earlier. if a person wants to get off welfare by typing; and a typewriter worth $1,000, it makes them ineligible for welfare—we could waive that provision. If welfare recipients want to go into a small business where their profits are taxed but they are unable to write off their losses, that needs to be waived so that more people can be encouraged to be entrepreneurial.

Senator DASCHLE. You say, in addressing the concept of waivers, that care will be taken that rights of low income people are protected and that needs of low income people are met; but there is nothing substantive that elaborates as to what kind of care actually will be taken. Can you give us some assurances? Is there some kind of a substantive, meaty, tangible guarantee that you have the mechanism worked out where these local communities will be receptive to your policing and your oversight in this regard?

Mr. BODE. Senator, the Board, of course, is responsive to Congress, and we recognize there will be Congressional oversight. The most important step in this process is the filing which the State will make, seeking waiver authority from the Board. It is the responsibility of the State in that filing to explain how those needs will be appropriately addressed. We feel it is important that the State filing explain its protections.

Senator DASCHLE. Let me just follow up with one last question, Mr. Chairman, and that is: On page 4, you say that the traditional responsibility of the local community to aid those of its members who are in need of assistance has become undermined by the tendency to impose solutions constructed in Washington. Would you also concede that the reverse is true, that the nation's attempt to more adequately care for the needy is undermined by the lack of willingness on the part of local entities to respond?

Dr. HELMS. Oh, I don't see it that way.

Senator DASCHLE. You don't? Let me just clarify my question perhaps. You don't see a local institution, a local entity of government, and its lack of willingness to compy with some kind of Federal mandate, responding to a national concern, as impeding our interest in pursuing the goals that you have outlined in your testimony this morning?

Dr. HELMS. Let me distinguish between, I think, the will to do that at the local level as opposed to the ability to do it under the existing rules. One of the common complaints I think we found talking to the Governors, to State officials, to welfare workers, to welfare recipients, and to people who have gotten off of this, is there is a strong desire to do something about this out there, to come up with some new ideas about how to combine these programs and administer them in a more effective way.

But I think a lot of people are genuinely frustrated, particularly a lot of the Governors, by the system and their inability to get changes in the rules that would allow them to carry out some of these concepts.

Senator DASCHLE. Dr. Helms, I would have to say this—and I am way over my time here—but there is frustration on both sides. There is certainly frustration at the local level, and I understand that. You can't take a national program and pound it across the country and make it fit as well in Aberdeen, South Dakota and Trenton, or some place like that. But equally as important is a realization on the part of your agency and this Congress that there is a frustration from the other level, that regardless of what it is we try—and you have just said that it doesn't really make any difference; none of them seem to have a tangible, substantive realization of how it can work across the country—out as hard as we try, it won't work because we don't have the local willingness, the ability on the part of the Congress and you to make sure that it works as well in that town as we had envisioned that it would work on top.

And by your advocating a waiver, it just seems to me you even frustrate that whole effort even more. I am very concerned about that, and I have got an open mind on it, Mr. Chairman, and I am hopeful we can come to some resolution.

Dr. HELMS. I appreciate your view, but let me say that the chairman has documented enumerous books. There has been a frustration, I think, on the part of the policymakers here in Washington about what really will work. And what we are saying is that we think we have found a new desire out there to get something done, and we are trying to think up a system that would allow this experimentation to go on.

Senator DASCHLE. Hope springs eternal, and I am with you.

Senator MOYNIHAN. Thank you very much.

Dr. R. BLAKENEY. Mr. Moynihan, may I respond?

Senator MOYNIHAN. Of course, Dr. Blakeney.

Dr. R. BLAKENEY. It seems to me that exactly your frustration that what "we designed in Washington" doesn't work when we get in to local communities, and what goes on in local communities doesn't translate; that is exactly the reason we have designed the proposal in the way that we have.

So, it doesn't come from here, and as Bob said, get parachuted in, but rather is created by a partnership to begin with. So, the part-

nership which creates the plan in any given local community will be responsible for its administration, will be involved from the beginning in its creation. Now, it is almost like a dual system, of "welfare services going on." In San Francisco, Cecil Williams through Glide Memorial Church feeds 4,000 people a day, has taken over the closed-down, rundown welfare hotels and has low-income people renovating them for housing; but it has nothing to do with Federal programs, although some of it does use Federal dollars. So, on the one hand, we have a Federal welfare system coming down and providing individual benefits for people; and on the other hand, we have the stuff percolating in local communities. What we are trying to do with this legislation is to make a bridge, to make a partnership, to make a place where people can hold hands and do it together; use what we have here and what is coming from below, if you will.

Mr. BODE. Senator, if I may make one additional point?

Senator MOYNIHAN. Please.

Mr. BODE. Not only do we feel the Federal system discourages local innovation and work because of inflexibility of rules—that has been discussed already—we also ought to realize it creates a number of unanticipated incentives. I think it is well known that in cash programs—AFDC and general assistance—many States feel a significant disincentive from raising cash assistance levels because they realize that the interaction with the Food Stamp Program would cause the State to spend a good deal more in its revenues than would translate into increased benefits for recipients of those benefits in that State.

Senator MOYNIHAN. That is a well established fact, and you are quite correct. If I can, can we ask Senator Durenberger if he has questions?

Senator DURENBERGER. Yes. I will be brief. I am already five minutes late for another program with my colleague. I hope to return because I understand Professor Nathan is next. Some of these same issues arose back in 1982 when many or us were discussing "new federalism".

The difference between 1987 and 1982 is the level of cost, which is higher today. The national debt had just gone over 1 trillion in 1982 and today it is 2.3 trillion. In 1982 the deficit was considered to be a good thing economically. We had a Secretary of the Treasury then who said it was better to borrow than it is to tax, and today he is looking for work. [Laughter.]

It seems to me the problem we have—and this is a very talented panel and the recommendations are quite good—is to articulate a national responsibility to people in this country. It is pleasing to see these conferences, like the Governors conference last week, debating welfare and work.

Those of us who were together in 1982 debating New Federalism came up with a tentative definition of income security, which started with jobs. To work, we added savings, which is, 5 years later, down to 1 percent from three percent in 1982; we added investments. Last year, we got rid of a lot of accelerated depreciation and the capital gains tax treatment and a whole lot of other things. Then we added private insurance and a social insurance system, which in this country is fairly generous, when you include cash

and other benefits. Finally we added income maintenance for those that fall through the net of employment, savings, investment and insurance.

But it is clear that we have not articulated for State and local governments or for the private sector that this is a national responsibility. That's the source of frustration here. We need to deal with who ought to do what and how to do it better. Mr. Bode, you are absolutely right about what hung us up in 1982 when we were going to do this swap. Despite the fact that you have a deficit this large, that the country is cutting spending and cutting taxes, and that State governments are trying to cut taxes and spending, you would go down to the local government level, where the housing is expensive and those who don't have it are in the streets; where health care is so expensive that 37 million people can't afford it; and they must go into city and county hospitals.

It frustrates me that this proposal has not found a clearer way to put the national government on the hook, so that it can't get off. When you talk about making cash available to the States so that they will be able to make their own decisions, it is the same new federatism that we have been discussing for seven years now. Where is the hook to make sure that the national responsibility is quite clear in these recommendations?

Mr. BODE. Senator, I feel there is quite a difference between this proposal and a proposal for broad block grants, as I think you are alluding to. The primary differences are this is a demonstration authority. It is a research effort. What we are trying to do is identify innovative ideas at the local and State levels and give them a test. Let's see how we can do better. The Governors are quite clear that they feel they could do better if they had flexibility with their funds. That is one principal difference.

Another point that I would make is that in the legislation it is the prerogative of the Governor, if he chooses, to terminate a demonstration project. If he feels it is not working to the benefit of his State, if it is not an effective effort, to drop it and go back to the system that we now have. So, that flexibility provides, I think, a strong assurance to the Governors that this is a very genuine effort, to find ways to do better.

Senator DURENBERGER. Thank you.

Senator MOYNIHAN. Thank you. That was a very impressive panel, a very impressive proposal. We thank you all. We would like to keep you all morning, but we do have some others we want to hear from, too, and hear what they think about what the administration has just proposed. And we shall be working very carefully with you. I want you to express our appreciation to all your principals. I know that Dr. Bowen has to be in San Francisco today. I might say that we will have hearings on this subject in the full committee as the time for the legislation approaches. So, Dr. Bowen, for example, and others will be welcome at that time.

We thank you all.

It is a very special pleasure for us now to welcome an old and dear friend, Prof. Richard Nathan, who is the Dean of the Woodrow Wilson School at Princeton University and the dean of social policy administrators and innovators over the years. Dr. Nathan, we welcome you and we look forward to your testimony.

PROF. RICHARD NATHAN, WOODROW WILSON SCHOOL, PRINCETON UNIVERSITY, PRINCETON, NJ

Dr. NATHAN. Thank you, Senator. You have not only given me a warm welcome, but you have promoted me.

Senator MOYNIHAN. On the contrary, I think anybody would rather be a professor than a dean. [Laughter.]

Dr. NATHAN. I didn't get the subtlety of it.

I also want to report to you that now at the university we provide a suit of clothes and $50, but there is no work disincentive effect; we are satisfied that we don't have that problem. [Laughter.]

I appreciate the chance to be here, and I want to summarize my testimony and then put it, if I can, with two enclosures into the record. So, I will just mention some of the highlights and try to do that in the time indicated.

The first part of my testimony, Mr. Chairman, discusses the dramatically increased poverty concentration and underclass conditions of America's cities, as revealed in recently published city poverty data released in 1985 from the 1980 Census. For too long, in my opinion, we have left two factors out of our analysis of urban conditions.

Those two factors are geography and behavior. The underclass problem in America's cities is a problem of space. The data we studied reveal a condition of dramatically increased isolation on the part of multiproblem populations, unskilled, uneducated, unmotivated people in broken or never formed families often from predominantly racial and Hispanic minority groups in the concentrated poverty areas of our inner cities. We knew that this was true, but the Census data reveal that it is even more dramatic than I and I think other people working in this field had expected.

In my view, Mr. Chairman, one cannot even begin to consider welfare reform in 1987 without considering these conditions. The connection is that we need to think hard about ways to enable people to break out of their underclass condition. These data are the bad news. I also have some good news.

Important changes that move in the right direction are under way now on the part of State governments. Over two-thirds of the States are developing new programs of mutual obligation, which you have mentioned, to provide education, training, remediation, intensive job search, and work experience opportunities to welfare family heads.

Let me say that there have been frequent comments lately that I think are wrong to the effect that these new style workfare or work/welfare demonstrations don't have that large an effect, that the effects are relatively small. My view of the research—and I have been very active with the Manpower Demonstration Research Corporation, MDRC——

Senator MOYNIHAN. And Dr. Blum.

Professor NATHAN. Right. Of course. My view of the MDRC findings is that they are promising. What is more, there is good reason to believe that if we develop and extend these new State-focused work/welfare systems, and if we give clearer signals and provide better programs, we will over time have bigger impacts in terms of higher earnings, reduced dependency, and changed conditions in

inner city poverty impaction areas. The report, which I am happy to have worked on along with Michael Novak and the group soon to testify, stresses exactly these kinds of value considerations, which are coming to the fore in, I think, a very good way in this period. And you have certainly been a leader in that connection.

Mr. Chairman, I feel older and probably not wiser, but I am going to devote the rest of my testimony to looking back 18 years to experience that we both shared and to see what we can learn from the Family Assistance Plan, the so-called FAP Plan, and other earlier efforts at welfare reform and to comment briefly today on how these earlier efforts might be looked at in terms of the opportunity, the policy window, that may be opened this year.

The Family Assistance Plan is remembered as Nixon's negative income tax plan for the poor, where the emphasis was on introducing this popular concept of a negative income tax into the welfare system in order to replace the AFDC program with the FAP Plan. I was part of that effort, but in retrospect, I believe that FAP was and still is the wrong approach to welfare reform.

New style workfare, the State programs that we have been discussing, is much more likely to be the real welfare reform. What I worry about is that the interest in welfare reform in 1987 will fall into what my testimony refers to as "the FAP trap," and you have written about the problems of FAP, Mr. Chairman.

The issue is not one of "either/or" and it is not a simple issue; but what I see developing is the subtle reinvention of an analysis that focuses on very shaky national income statistics to call for massive new transfer payments to the working poor.

And I would point out that the Wisconsin child support plan has not gone into the field yet. I refer to the so called "assured benefit" child support plan. It is not going into the field until the middle of this year. It will be in the field to be tested in four counties between the middle of this year and 1993. We will not have results as to whether the assured State-paid benefit scheme—which I see as a sort of subtle form of back-door negative income tax—we will not have results from that experiment probably for 7 or 8 years.

That takes me back to the New Jersey days—the New Jersey experiment days. We mustn't rush into these abstract concepts in a way that will deter us from getting real and good changes in this period. I do not deny that we need to be worried about the people who are at the top edge of welfare eligibility or are hard-working people not getting welfare assistance. But we should not put all of our eggs in this basket. Some of the ideas I have heard recently to aid the working poor involve new income transfer payments which are described in programmatic but not budgetary terms. What do they cost?

I believe that in 1987 we need particularly to focus on institutional and value changes where the States are setting up new programs to save some of the people in the underclass. And I am happy to say that what I see developing is a consensus in the legislation that has been proposed—the work opportunities and retraining contract which the chairman of this subcommittee has proposed and in S. 610, the GROW portion—there are acronyms everywhere in this field—of the administration's proposal.

Let me conclude with this key point about the lessons from past experience. If this Congress has money to spend on welfare reform in 1987, I urge that you put at least half of it into these kinds of institutional, new style, State focused workfare policy changes. I urge that you not be sold a "pig in the poke" that gets you back into the FAP trap of big spending, income transfer payments, based on easy abstractions and weak data, that are likely to end up costing you more than you could ever spend this year on welfare reform. The rest of my testimony discusses some incremental changes, a subject that I talk about probably too much.

I am reminded of Everett Dirksen's comment: "A billion here, a billion there; pretty soon you are talking about real money". It does seem to me that you could go to a modest 65 percent AFDC and food stamp national minimum in this period for that amount of money—exactly $1 billion. And the Governor's program focused on new style workfare incentives, to change institutions with the States experimenting and continuing to do the exciting new things they are doing now. The Governors have proposed a new style WIN Program of approximately that same amount—a billion dollars. I don't know what the policy window really is in 1987, but I do urge that we look hard at what we know and what we have learned, and I am honored and pleased to be here and to try to be of some assistance to this committee in thinking about these very important issues.

Senator MOYNIHAN. Thank you, Dr. Nathan. Senator Dole particularly wanted to be here when you testified. Why don't we ask him to open? He might want to make some general remarks. Senator Dole, you had been asked earlier to introduce the Administration's proposal.

Senator DOLE. Yes. I apologize for being late. We had a engagement this morning where someone from my hometown was the master of ceremonies. There are not that many people in my hometown; so when they show up, I want to be there.

I want to thank first of all Senator Moynihan for including Dick Nathan. He probably would have in any event, but I did make the request because I have known Dick for a long time. He has been very helpful in the past, and he is helping me now as we try to sort out where we should go in this area. And I think he has pretty well nailed it down.

I think there may well be a policy window. I am not certain how wide open it is, but we do have the constraints of the budget, and it is still my hope—although I haven't been as diligent as Senator Moynihan—but he is an expert in the field—but sooner or later, we are going to try to sit down together, Republicans and Democrats and experts like yourself, and put together something we might be able to pass and have signed by the President. That is the ultimate wish.

I think we even meet tomorrow morning privately to go over some of the areas that have been covered in the testimony. There has been an excellent record made by the chairman. I am very glad you are here and I am happy to have heard your statement. I don't have any questions.

Senator MOYNIHAN. Thank you. Senator Daschle.

Senator DASCHLE. Thank you, Mr. Chairman. Dr. Nathan, I would be interested if you could just elaborate a little bit more as to your perception of the Low Income Opportunity Improvement Act of 1987, the bill introduced by the Administration, and how, as we consider this bill, you would caution us with regard to the FAP trap?

Dr. NATHAN. I listened to your earlier questions, Senator, and I thought they were thoughtful questions. I attached to my testimony an article I wrote in the New York Times on this subject. I have some doubts about one part of S. 610, which is the waiver authority. As I understand the bill—and I hope I understand it right—it includes both the experimental waiver authority and the GROW Program, which is similar to Senator Moynihan's WORC Program.

I was a little bit assured by the Administration—and I was reassured by Senator Moynihan's question—that Medicaid is not apparently part of what they are asking to be included in the waiver program; and that I think would be a good idea. And the Administration said that they see this as a sort of testing approach. I frankly have doubts about that portion of S. 610; but I guess I would say if it was very carefully drawn and if Medicaid is not part of it, and if that was part of what was needed to be included in a bill, as Senator Dole said, that the President would sign, that I would myself personally think there ought to be a way to work that out.

Senator MOYNIHAN. If I could just interrupt to say that Medicaid was in their proposal.

Dr. NATHAN. Well, you should take it out. [Laughter.]

Senator DASCHLE. With that minor caveat, as to whether Medicaid was in or out, addressing the bill as you see it, are you leaving the record open for further critique with regard to the bill? Are you satisfied that if we adequately dealt with the waiver concept, you would be satisfied that the bill—other than waiver and Medicare—is a sufficient process by which to improve this?

Dr. NATHAN. My own idea of what the policy window might enable you to do in 1987 is three things really. Some attention to questions about the waiver idea that reflect what we have been discussing here and dealing with in a way that makes everyone comfortable. Second, some merger of the GROW and WORC legislation, which fits in very nicely with what the Governors have proposed and puts a lot of emphasis on the new style—very promising, I think—work/welfare programs that so many States are now pushing to do in the right direction. And third—and I am not so sure about this—this is still an element that in my own view I feel would be desirable, at least to discuss—is to start to move, which we could have done many other times in the past, but never did, toward a national minimum, a low national minimum, at 65 percent of the poverty line. That would only affect about 20 States. It would cost about $700 million, and those are 20 States with lower benefits.

And that amount would be AFDC plus food stamps; that is, the minimum would be food stamps included at 65 percent of the poverty line, which is a proposal that has been made by a number of the groups that have made proposals in this current period. Senator Dole has been a leader and an important person in working on

how the Food Stamp Program fits into this, and there are some questions to be dealt with in that area.

But I would say that those three elements, if a consensus could be worked out among key people on the Finance Committee and in the House and in the administration would move us along a good way forward and personally I would like to see that kind of a focus.

Senator DASCHLE. You are satisfied that those proposals would exceed your major recommendations in your testimony that at least half of whatever resources we have to put into institutional or workfare changes?

Dr. NATHAN. Yes, that is how I would see it. I made the remark about Everett Dirksen——

Senator DASCHLE. I wonder whether that is possible?

Dr. NATHAN. I have read all these reports, and I have worked maybe even too long in this field, and I think the number can be worked out currently. But the one thing that is a little shaky—and I wish to be honest with you—is that the Governors' ambitions for how much they can achieve with their work/welfare programs in the States are very ambitious. A billion dollars—which is about three times what the WIN Program was at its peak level—is a considerable increase but is not enough money to achieve what they are talking about achieving. So, you need to think about that.

But that is their price tag; they, I understand, debated whether that was the right price tag. Some people wanted the Governors to come in with a higher number, but they didn't. So, you need to think hard about what that number can really do. But it does seem to me that something involving three pieces along those kinds of lines would pull a lot of things together and be a big step forward.

Senator DASCHLE. I appreciate your insight. You are far more expert in this than I am, and I find that your testimony was very helpful. I appreciate the time, Mr. Chairman. Thank you.

Dr. NATHAN. Thank you.

Senator MOYNIHAN. Thank you, sir. Could I just say that the administration's GROW Program, which is the work training program, is not in S. 610. And I am not clear that it has been sent to the Congress yet. Does anybody in the audience know? Yes, young lady?

Voice. Sir, it is in the President's competitiveness bill.

Senator MOYNIHAN. It is in the competitiveness bill.

Dr. NATHAN. I should have said that; I knew that.

Senator MOYNIHAN. Thank you.

Dr. NATHAN. So, you do have the pieces?

Senator MOYNIHAN. Could I have your name for the record?

Ms. AVADARO. My name is Sonya Avadaro.

Senator MOYNIHAN. How do you do? And thank you.

Dr. NATHAN. I should have remembered that, Senator. So, the pieces are before you, but in different arenas than I had thought.

Senator MOYNIHAN. Yes.

Dr. NATHAN. And the GROW legislation is in important respects different from your WORC proposal on the matching rate and what is covered by the matching rate. You cover 70 percent of training costs.

Senator MOYNIHAN. I am going to press you a little bit. You are talking about numbers there, aren't you? I mean, how different is

50 percent against 60 percent against 70 percent? I mean, if you undertake to do this sort of thing, the actual ratios aren't that important; I mean, they are negotiable, are they not?

Dr. NATHAN. Well, negotiable for sure, but it is very important, I think, to many States, particularly the States that are strained now fiscally. The WIN Program, if I have got it right, was 90 percent match.

Senator MOYNIHAN. Right.

Dr. NATHAN. And I guess everybody is ready to move away from that; but to go to 50 percent match, I think—your proposal at 70 percent—you have 70 percent for training and 50 percent for other things—I think that is a good position myself. And that is very close to what the Governors have proposed, and the Governors have—from what I read in the newspapers—made a good impression in their meeting in the White House. So, I would urge you to hang tough, Senator.

Senator MOYNIHAN. All right. Now, did you hear that, Senator Dole?

Could I just make a point and ask you if you would agree that we have learned something about this work/training, and what we have learned is that you can do it. Isn't that the large event of the last decade or so?

Dr. NATHAN. That gives me a chance to say that I think that the studies of the Manpower Demonstration Research Corporation, which are well structured studies, as close as you can get to a good scientific method with a random control group—those studies have been done since 1981 when the OBRA legislation was enacted, in eight States with 35,000 people assigned to treatment and control groups. And in the eight States in those studies, we have learned that indeed the States have made appreciable gains.

And incidentally, the California GAIN program is a model program here. The States have been able to extend this mutual obligation, as you referred to it, concept to large numbers of people; and the impact of those programs, which require people to participate in training and in work and sometimes in work experience, has been positive, consistent, scientifically significant, although not huge.

My feeling is that the results are encouraging and that, this time around, we have learned from results, unlike last time—as your book documents so well—where we went off and adopted the FAP concept before the New Jersey experiment had even gotten into the field. And later on, we learned—9 years later, you learned—in this hearing room, that there were an awful lot of problems that research could have taught us. And in the case of these State programs, we have learned; we do have research; we do have a good knowledge base.

And that is why I am a little worried about this child support scheme. It may be a good idea, but we have got a lot of research and a lot of time and energy, I think, yet to devote to that. I have a lot of questions about it. I mean, I could ask a lot of questions, but I won't now because I don't think that is going to happen this year. At least, I hope not.

Senator MOYNIHAN. Can I speak to the thought there that child support is a responsibility, not an experiment.

Dr. NATHAN. Let me say that what I am referring to is the assured benefit, where the State pays if the parent doesn't. I quite fully agree with you on the need to include—in fact, that could be a good fourth part of such legislation——

Senator MOYNIHAN. Right.

Dr. NATHAN. Yes. Which is to move further in this direction with some kind of interstate capability. When Governor Kean testified before you, he pointed out that in our State—New Jersey—85 percent of child support payments are not collected; and part of the problem is the interstate problem.

Senator MOYNIHAN. The interstate problem is very real, is it not?

Dr. NATHAN. Yes. And also, I am personally comfortable with the garnishment idea, which is part of the Wisconsin plan. The only part I am objecting to is the assured payment, which is this backdoor negative income tax.

Senator MOYNIHAN. Which takes you back to the notion of the guaranteed income and a negative income tax?

Dr. NATHAN. Right. I think you should be careful of that.

Senator MOYNIHAN. Could I just say that on the GAIN program, we had Assemblyman Art Agnos come testify last Monday morning, through the snow and all. He said, you know, I am one of those people you have heard referred to as a "San Francisco Democrat"; and he said I am working with a very Republican Governor, and we are getting along just fine. And I think you do recognize that this is happening now.

Dr. NATHAN. In the last paragraph in my statement, I quote the song from Rogers and Hammerstein, "When the farmers and the ranchers will be friends. . . ." And the California GAIN story is a perfect illustration. I spent most of my sabbatical out there last year, and I met and know Art Agnos. He is a very impressive person. I know the people in the Governor's office, and I have talked to the Governor about this. California is so far away that we sometimes don't know enough about it; but the California program is the one we should watch the closest because it is the furthest along, and it reflects this very delicate political balance that has—as I say in my statement—detoxified the welfare issue in many States. It is really quite remarkable.

Senator MOYNIHAN. Senator Dole.

Senator DOLE. No questions.

Senator MOYNIHAN. Dick, thank you very much. Professor Nathan, we are very much in your debt, and you heard Senator Dole say he would be checking in with you in the morning. And we will not fail to do so on a detailed and regular basis.

Dr. NATHAN. Thank you.

[The prepared statement of Dr. Richard Nathan follows:]

Testimony before the Subcommittee on Social Security

U.S. Senate Committee on Finance

Monday, March 2, 1987

Richard P. Nathan
Princeton University

Please Stay out of the FAP Trap.

A policeman in the city where I was born, Schenectady, New York, was interviewed recently about his beat, which is the worst and most distressed part of Schenectady, a section called Hamilton Hill. The officer, Bill Potenza, was asked what should be done about the increased concentration of underclass people and conditions in Hamilton Hill. "Hamilton Hill's never going to change, jobs or no jobs...unless people get into some really serious educational programs...There's no pride built in up here...People that have hope and look to the future don't think day to day." (Capital Region, November, 1986.)

Hamilton Hill is a microcosm of what is being revealed by recently-released detailed city-poverty data from the 1980 census. For too long we have left geography, behavior, and attitudes out of our analysis of urban conditions. The underclass problem in America's cities is a problem of space -- a problem of the dramatically increased isolation of the multi-problem population (unskilled, uneducated, unmotivated people in broken or never formed families, often predominantly racial and Hispanic minorities) in the concentrated poverty areas of cities (areas with more than 20% poor population) and extreme poverty areas (areas with 40% or more population).

We recently analyzed the poverty and related social and economic conditions, based on these Census data, of the fifty largest cities in 1970. What happened to them over the decade of the seventies?

By 1980, they had lost 5 percent of their population, but their poverty population had grown by 12 percent. The percent of the poor in poverty areas (more than 20% poverty areas) had grown by 31 percent, a condition which William J. Wilson points out is primarily a result of the growth in the number of such ghetto poverty areas. (There are more areas now with concentrated poverty and multi-problem conditions.) This is the hidden city where we do and dare not go. For the fifty cities we studied, urban poverty is increasingly a problem of minority groups. The white poverty population of these cities declined by 18 percent. The black poverty population increased by exactly the same percent, 18 percent.

The situation is even more stark for concentrated poverty areas. The concentrated white poverty population (i.e., in 20% poverty areas) declined by 6 percent in these fifty cities. On the other hand, the concentrated black poverty population in urban poverty areas (20% poverty areas) rose by 23 percent, and the number of poor black persons in extreme poverty areas (40% or more) rose by 59 percent.

People who study urban and social conditions in the U.S. knew that these trends were worsening. What is remarkable about these new detailed city-poverty data is how dramatically they show this to be true.

I would add that this condition of a multi-problem underclass -- economic, behavioral, and attitudinal -- concentrated in areas where problem behavior is so easily reinforced is not one that we can measure with our social science calipers. We do not have enough data. The

figures just cited are suggestive of the diagnosis increasingly being made by urban experts of a worsening concentration and bifurcation of the rich and the underclass in our cities.

One cannot even begin to consider welfare reform in 1987 without considering these conditions and trends.

I have been interested in welfare issues for a long time. Twenty years ago, it was popular to say that the root problem of poor people is that they don't have enough money. That's what I thought then. Maybe it was the answer then. It is not the answer now. Money alone is not the answer; we absolutely must give more attention to the institutional dimension of policy change.

Officer Potenza of Schenectady, N.Y. is right when he says we need "some really serious educational programs" to get at the issues before this subcommittee.

The data and analysis just presented is the bad news. I also have some good news.

Important changes that move in the right direction are underway now on the part of state governments. Over two-thirds of the states are developing new programs of mutual obligation to provide education, training, remediation, intensive job search, and work experience for welfare family heads. There is furthermore a movement now being made to extend these programs, which I call "new-style workfare programs," to the fathers of welfare children as well as the mothers.

We are moving away from the easy abstractions of the seventies, the puristic economic solutions to the American social challenge, and we are now, at least at the state level, beginning to deal with the two left-out and critical variables of welfare reform -- institutions and values.

The institutional variable I refer to is the new-style workfare programs being implemented by the states. The values underlying these programs are work, family, education, and community. These are not controversial values that raise first-Amendment issues; they are values that the American society as a whole has shared for generations. It is unfair not to give signals to the welfare poor that if they share these values they are more likely to enter and live in the American social and economic mainstream. Inculcating these values in our young is what public education has been doing for more than a century.

What the states are doing now -- California, Michigan, Ohio, Oklahoma, Massachusetts, New Jersey (just to name a few) -- is changing their welfare system to transmit these signals -- different signals from those of the Great Society days. These are the ideas embedded in the mutual obligations of new-style workfare, obligations on the part of welfare family heads to move into the work force and obligations on the part of the states to help them do so. The California GAIN program is the most far-reaching effort to adopt this approach. In my own state, Governor Thomas Kean has recently developed a similar approach that would require welfare family heads with children over two years of age to participate in a similar program called REACH. My own view is that we should use the word "workfare," a word which used to have a much more negative connotation, to apply to this revolution by the states to convert their welfare systems from payment system to systems focused on jobs and work preparation and facilitation. The word "workfare" was first used in national policy in a speech by President Nixon, written by William Safire, on Nixon's Family Assistance Plan (FAP). I will have more to say about FAP in a minute.

Let me add here that the frequent comment that new-style workfare efforts are small and can't accomplish all that much is being seriously overdone. The MDRC findings are promising. What is more, there is good reason to believe that if we develop and extend these work/welfare systems, and give clearer signals and provide better programs, we will over time have bigger impacts in terms of higher earnings, reduced dependency, and changed conditions in the hidden city.

The recent GAO report on AFDC work programs (Work and Welfare, January 1987) which is a very good report, tends to understate what is going on now and what it is possible to achieve in the future. The GAO report is based on data from 1985. Much has happened since then. State governments are working very hard in this area. Yet even in 1985 in the states that GAO studied, their data show that there was 22.3 percent participation in WIN-demonstration projects. If we adjust for the fact that the WIN-mandatory group (pardon all this jargon) is for families with children over six years of age, this converts into about a 60 percent rate of participation for the target group for AFDC work programs. This estimate, if anything, overstates the situation in 1985. In any event, it is possible, I think, to look at the GAO's data and see the bottle half full rather than half empty.

Let me now return to the Nixon FAP plan which I mentioned earlier. FAP is remembered as Nixon's guaranteed income plan for the poor where the emphasis was on introducing the then-popular concept of a negative income tax into the welfare system in order to replace AFDC with FAP.

I was part of the effort, and make no apologies for my part in it. But in retrospect I believe it was, and still is, the wrong approach to welfare reform.

New-style workfare is much more likely to be the real welfare reform! What I worry about most is that the new and welcome interest on the part of this subcommittee in welfare reform in 1987 will fall into the FAP trap. The issue is not one of either/or, and it is not a simple one.

But what I see developing is the re-invention of the analysis that focuses on very shaky national income statistics to call for massive new transfer payments to the so-called "working poor." I do not deny that we need to be worried about this group -- namely, the people who are the top edge of welfare eligibility or are hard-working people not getting any welfare assistance, but with ostensible (note the adjective) incomes close to those of people on welfare.

We should not put all of our eggs in this basket. The ideas I have heard discussed in this forum to aid the working poor involve new income-transfer payments which gracefully are described in programmatic but not-budgetary terms. What do they cost? The answer, I am sure, is that they cost more than we can spend in the period in which this social policy window is open in 1987. The priorities are wrong. The question, I repeat, is one of balance and focus.

I believe we must focus on institutional change, relying heavily on state initiatives now underway, to transform and energize the welfare and school systems to "save" some of the people caught in the underclass. This is not something we can do over a year or five years, but it is the road we must be on. The challenge involved tests the very mettle of our political system.

And, in this area, I am happy to note that both the distinguished chairman of this subcommittee and the Reagan administration appear to be

in agreement. Senator Moynihan, along with ten co-sponsors, proposed legislation creating a Work Opportunities and Retraining Compact (WORC) in June 1986. The Administration recently, and all too quietly, sent Capitol Hill quite similar legislation to increase the flexibility of the states to provide an array of educational, training, remediation, child care and work-experience services to AFDC family heads. Acronyms abound in this field. The Administration's new bill is called the GRO program. Both the Department of HHS and the Labor Department have submitted legislation which moves strongly in the direction of new-style workfare.

Let me now make a key point. If this Congress has money to spend on welfare reform in 1987, I urge that you put at least half of it into these kinds of institutional "workfare" changes.

I urge that you not be sold a pig in a poke that gets you back into the FAP trap of big-spending income-transfer payments based on easy abstractions and weak data that are likely to end up costing you more than you could ever spend this year on welfare reform. (Former Senator John Williams could tell you all about the FAP trap, and he did tell us.)

Mr. Chairman, this year I suggest that you cautiously consider a couple of things in the income-support area in 1987, but not a generalized new work supplement or back-door children's allowance via state-paid child support where an absent father does not do so. The measures I would suggest are a modest (and I do mean modest) national minimum payment level for AFDC plus food stamps and mandating AFDC-UF. (Senator Daniel J. Evans has been a leader on these kinds of changes; I served on the Committee on Federalism and National Purpose that he co-chaired along with former Governor Robb which developed a set of proposals in this area.) I also suggest seriously exploring Robert

Reischauer's idea of adjusting the Earned Income Tax Credit for family size.

In short, some such combination of incremental steps with roughly half the money going for new-style workfare and half for next-step reforms in AFDC and related payment programs is what I urge upon you. It would be nice to abolish AFDC, but I think the smoke and mirrors and money required to do so make it impossible to accomplish this in the near-term, if I am any judge of the kind of legislative action that can be adopted in the current period.

There is a wonderful song from Rodgers and Hammerstein's "Oklahoma" called "When the Farmers and the Ranchers will be Friends." Then things will be okay, or should I say O.K.? The opportunity before you in the form of new-style workfare in my view represents such an opportunity where conservatives and liberals appear to be coming together on a "mutual obligation" (California-GAIN styled) approach to welfare reform. This "new consensus" has detoxified welfare as a political issue at the state level in many states. My reading of the current situation is that this idea, "new-style workfare," should be a major focus, with the emphasis on institutional change and value changes, of the welfare-reform decisions you make in Washington in 1987. Don't fall into the FAP trap again.

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Mr. Chairman, I have been active over the past dozen years with the Manpower Demonstration Research Corporation, and am currently chairman of the board of that corporation, which in my view has an important record

in the field we are talking about today. I would like to insert in the record at this point two short articles I have written about "new-style workfare" and the work of MDRC. I should stress that this testimony and these articles represent my views alone. I do not speak for my friends and colleagues on the board and staff of MDRC, though I am very proud of the work they are doing.

Richard P. Nathan

The Washington Post
April 10, 1986

A Welfare Revolution

Quietly, in the states.

For 20 years, welfare reform has been the Mount Everest of American domestic policy. Politicians have tried to climb it because it was there. The history of these ascents has been controversial. The proposals have been mostly comprehensive grand designs, made in Washington. One's position has been a test of one's ideology.

As a former participant, I now believe these earlier efforts to establish a negative income tax or guaranteed income system were the wrong approach to welfare reform. But in the past five years, there has been a subtle and little-noticed shift toward an alternative. A new consensus is emerging, emphasizing jobs and with state governments in the driver's seat.

In over two-thirds of the states, there is activity under the heading of "workfare," which I believe may turn out to be the real welfare reform. In this process, the meaning of the word "workfare" is subtly changing. In the 1970s, workfare was anathema to liberals who often damned it as "slavefare." The meaning of the term in this period was narrower than it is now. It referred to the single approach that people on welfare should "work off" their benefits. They should engage in public service jobs (often condemned as "make work") for an amount of time equal to some wage rate (such as the minimum wage) divided by their entitlement to welfare assistance.

Historically, this has been the approach to welfare for adult men without families under state and county assistance programs. In 1971, the federal law was amended to require that a woman in the then fast-growing Aid to Families with Dependent Children program register for work and accept a "suitable" job if one is available and if her youngest child is over 6 years of age. This requirement does not say that states and counties have to set up jobs—only that if a suitable job is available (along with child care) an AFDC family head is required to accept it.

Ten years later, Ronald Reagan tried to move even further in this direction. He proposed that states be required to provide jobs to all AFDC family heads, again with children over 6 years of age and where child care is available. Although Reagan succeeded in 1981 in obtaining passage of fundamental welfare changes removing many working poor families from the AFDC roles, he was not successful in winning enactment of universal and compulsory work as a condition of the receipt of AFDC benefits. Congress instead said that the states could *test* the approach along with other employment approaches to welfare reform.

The important new activity being undertaken by over two-thirds of the states involves tests under this new authority, although on a broadened basis that also includes job preparation and job search activities. The states are using a variety of approaches; they can be arrayed on a continuum according to the degree and character of the obligations imposed under these new state systems.

The welfare reform programs of Michael Dukakis, governor of Massachusetts, and George Deukmejian, governor of California, bear particularly close watching. The Massachusetts program called "ET Choices" is the most liberal test of employment approaches to welfare reform. (ET stands for employment and training.) The emphasis in Massachusetts is on job preparation and placement services, not on compulsory work experience. This approach can be contrasted with that of states such as Utah and West Virginia that have a strong tradition of mandatory community work experience for welfare family heads.

California's program stands out as the most ambitious new state welfare reform in the nation. In 1985, the state enacted legislation to provide "Greater Avenues to Independence"—abbreviated, of course, as GAIN—for all qualifying welfare family heads. Under this program, all counties in California are to set up new systems to provide a range of services—training, education, job counseling and job placement. Eligible welfare recipients are required to participate in one or another of these services. If the services are not successful in getting an eligible AFDC family head into the work force, they are followed by six months or one year of "relevant" community work experience in a presumably useful (not "make work") public service job. It is estimated that California will spend as much as $300 million per year on this program, not counting the expected welfare savings, when GAIN is fully implemented. This is more than the federal government spent in 1985 for the nation as a whole on welfare employment and training programs under its work incentive (or WIN) program.

It is not yet clear what will happen under the California or other new state welfare reform programs in the turbulent environment of Gramm-Rudman-Hollings. This quiet state-focused revolution is, in effect, an attempt to change welfare as an *institution* and, in the process, to reduce the *stigma* of welfare both for recipients and for the society. But such change does not come easily.

The Manpower Demonstration Research Corporation, based in New York City, has conducted eight state demonstration research projects on variations of the work and welfare approach in which more than 35,000 people have been assigned either to a new program or a comparison group. The results of these demonstrations so far, including one in San Diego that was a model for the California GAIN program, have been promising. However, the earnings and work increases achieved are not all that large, and furthermore there is variation among the states in these terms. One clear lesson from these state experiments is that it is bound to take time to deal with the accumulation of generations of the terrible problem of very high rates of single-parent families among the poor.

But there is new hope. The states are serving as testing grounds for welfare reform on a basis that involves a delicate balancing act by liberals and conservatives. Job-focused institutional changes to reduce the stigma of welfare are the essence of the new approach. It is too early to draw conclusions about its efficacy. But it certainly bears close watching: it *could* be the real welfare reform.

The writer, who was deputy undersecretary for health, education and welfare in the Nixon administration, now teaches at Princeton University.

THE NEW YORK TIMES, WEDNESDAY, AUGUST 20, 1986

The Trouble With 'Cashing' Welfare

By Richard P. Nathan

PRINCETON, N.J.

A RECENT news report revealed that White House officials are negotiating with selected state governments to test new approaches to welfare reform. One of these approaches would involve the idea of a "mega-block grant."

Under this approach, counties in selected states would be allowed to "cash out" a wide array of social benefits to the poor that are provided in forms other than cash. Welfare beneficiaries in these counties would receive a single lump-sum cash payment rather than multiple benefits. This experimental approach would include, among other programs, food stamps, Medicaid, public housing and school-lunch subsidies. Ten programs were mentioned as being under consideration for such a cash-out experiment in West Virginia. Federal legislation would be required before the experiments could go forward.

As a longtime observer of welfare policy making, and as a former government official involved in welfare reform, I am in favor of experimentation. *But not this time!* I think Congress should reject any effort by the Administration to move down this particular road. A look at the historical evolution of our welfare system tells us why.

In the United States, we have over the years moved in stages toward a multiprogram system for helping the poor. We have different strokes for different folks (the aged, the disabled and working-age able-bodied poor people), and we have different programs that in combination aid these and other needy groups.

Some observers regard this situation as messy and inefficient. I think it makes sense. There are different poverty conditions and there are different needs. Our seeming patchwork of welfare programs is more rational and better coordinated than many big-think experts realize. It is both intellectually and politically sensible to differentiate programs in this way.

Among those who will be most deeply affected by the experimental cash-out approach are working-age, able-bodied adults and their children, the group helped under the Aid for Families with Dependent Children program, which is paid for by the Federal Government and the states on a shared-cost basis and administered by states and counties. This is the welfare program that, over the years, has been the source of the most emotional debates about welfare reform. The basic idea would be to consolidate existing federally aided programs that are not paid in cash (so-called "in-kind benefits") with the cash grant presently paid to the A.F.D.C. population.

> Our seeming patchwork of systems is rational and coordinated

Of all the programs that would be folded into one lump-sum grant, the largest is Medicaid. This raises huge questions as to how these experiments could possibly work without harming sick children and elderly poor people in nursing homes. These are the main groups now helped by Medicaid; the obvious danger is that under a block-grant approach the money now being provided under Medicaid for children and the elderly poor in nursing would be diverted.

I find it ironic that a conservative Administration would adopt the cash-out approach to welfare reform. The same cash-out idea underlies the guaranteed-income or negative income tax approach to welfare reform, which also emphasizes a single lump-sum benefit for poor families. Liberal proponents of the guaranteed-income approach often argue that our current multiple welfare programs are paternalistic, and that poor people should have free choices as consumers. I have always associated with conservatives the opposite view — namely, that public policy should make sure that poor people and their children actually receive the things they need (medical care, better housing, nutritious school lunches, etc.), because if they are given cash, they are likely to squander it on gambling, liquor, potato chips, drugs, you name it.

Strictly from a political point of view, combining welfare benefits into a single cash grant would have the effect of making aid for the poor more visible and vulnerable. In contrast, the piecemeal system we now have tends to give each separate program a kind of political insulation. Under the existing framework, many different groups — farmers, supermarkets, builders, realtors, doctors, educators — see themselves as having a reason to support some particular stream of aid for the poor.

In the pluralistic American political environment, this has meant more aid for the poor. It has not meant excessive aid. However, in many industrial states, this combination of benefits at least produces an adequate or near-adequate aid package.

The White House plan for seemingly innocent experiments to merge welfare programs in fact represents a fundamental change in direction on social policy. It is, as I have already said, the wrong road for welfare reform. One of its more perverse effects would be ultimately to give the Federal Government the opportunity to put a cap on important programs, such as A.F.D.C. and Medicaid, that are now open-ended, in the sense that each state is free to establish its own levels of support. Once you toss all your money into one pot, there is little to prevent political interests from reducing the size of the pot. We should move in exactly the opposite direction by establishing a minimum benefit for existing programs, especially A.F.D.C. — not a high minimum, but one that would raise aid levels in some states that still have very low rates of assistance.

At the same time, we should adopt and push ahead on another welfare reform idea of the Reagan Administration, which I think is a good idea, namely "workfare." This idea of providing training, counseling and jobs for able-bodied welfare family heads (if child care is available) is the right track.

> Sick children and the elderly poor would likely suffer

In essence, we need two tracks — one that works toward uniformity in benefits and doesn't cut them, and one that relies primarily on the states to set up and administer job and training programs for the welfare population. The "mega-block grant" approach for welfare benefits represents a major change in social policy that we should debate fully and openly. Even though I believe that experimenting can be valuable, I think sneaking such a major change into law under the guise of social experimentation is a bad idea. □

Richard P. Nathan is professor of public and international affairs at the Woodrow Wilson School at Princeton University.

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Senator MOYNIHAN. And now, we are going to hear a panel which will discuss some of those manpower studies that have been coming from the MDRC. I wonder if Dr. Lenkowsky, Dr. Novak, and Dr. Blum could come forward?

Arrange yourselves as you like. This panel will report to us on the Seminar on Family and American Welfare Policy, which was sponsored by the Institute for Family Studies at Marquette and supported by grants from the Bradley Foundation, the Olin Foundation, and the Charles Stewart Mott Foundation. The American Enterprise Institute provided the setting for the work. These are most distinguished persons and most welcome. I think we might just follow our regular pattern, which is to ask the witnesses to speak in the order in which they are listed. In the first case, that would be Dr. Lenkowsky, and we welcome you.

STATEMENT OF LESLIE LENKOWSKY, INSTITUTE FOR EDUCATIONAL AFFAIRS, WASHINGTON, DC

Dr. LENKOWSKY. Thank you very much, Mr. Chairman, Senator Dole. I am just going to briefly describe what the Working Seminar is. We were established about a year ago and consist of 20 nationally prominent experts on welfare policy, with experience going back, I believe, to the Administration of President Kennedy, which is when our concern about the growth of dependency began.

Although there are undoubtedly many more scholars we could have included, we feel that in terms of the range of viewpoints represented among our members, we are as broadly diverse as any group that has been studying the subject and issuing reports in the past few months.

We have commissioned a series of research papers. We have held a number of seminars, and both to our surprise and great delight, we have managed to arrive at a concensus on the principles that ought to guide the round of welfare reform that is coming up. To describe that concensus, I would like to turn to our chairman, Michael Novak.

Senator MOYNIHAN. That is very generous of you, Doctor. Dr. Novak, few persons have ranged as far in social policy as you have done with such unerring skill and grace and effort to conciliate. And by looking at the list of persons on that seminar, the farmers and ranchers have done something about the matter. Please proceed, sir.

STATEMENT OF MICHAEL NOVAK, THE AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Dr. NOVAK. Thank you very much, Mr. Chairman. If I had had any insight at all in the area of our testimony today, I owe it to your stimulation some 25 years ago in the seriousness of problems in this area that one should keep in mind, and you also mentioned at that time why it was that American social thought typically neglected a range of areas, particularly regarding the family. And that hint, when I had more hair and was thinner and younger than I am now, was very important to me.

I would like, Mr. Chairman, to put on the record the statement prepared for this hearing, which I am free to call eloquent because

it was prepared by my colleagues for the seminar, Leslie Lenkowsky and Douglas Besharov.

Senator MOYNIHAN. It will be done.

Dr. NOVAK. And I would call especial attention to its concrete findings and then to the 10 general recommendations. We thought if the Ten Commandments were good enough for the Lord Himself, we shouldn't exceed that number as a working seminar. Those are the general recommendations, but we have some 60 or 70 specific ones in our text as well.

When we set out to see if we could establish a concensus among scholars about what the problem is, we weren't at all sure that it could be done. And I must say that on many points we had arguments right up until the last moments, trying to find language and principles we could all agree with. We could have set up a seminar of like-minded scholars to prepare a report, but we deliberately sought to form a kind of coalition between the Brookings Institution, the AEI, the Hoover Institution, and a representative as well from The Heritage Center. The idea there was to see if we couldn't find something that would help.

Couldn't scholars subdue their own philosophical predelections enough to find something that would actually help the dependent persons that are our concern? And could we find some things that we could all agree on would work, even though we would have differences on detail beyond that?

Our first stage, of course, was to say: What is the problem that concerns us and that concerns the country? And here, we decided rather early—and the evidence was rather overwhelming about it—that our serious concern was not income support for those who have no other means of support, for the elderly, for children, for the disabled. These are relatively straight-forward things. They have their own complexity, to be sure, but simply providing income support is a problem of a much lower magnitude of difficulty than the other problem which seems to be growing in importance in our society and is seriously troubling. That is the problem of able adults who, in normal circumstances, would be caring for themselves and not only caring for themselves, but are needed by others, and would under normal circumstances be caring for others as well, particularly their own children, sometimes for older persons.

The problem then is in our society, it seemed to us, that there is a growing number of fellow citizens who are not coping very well for themselves or for those who are dependent on them. We found this particularly shocking in the country—in a free country such as ours—because a free country depends on citizens of independence. It depends on citizens able to fend for themselves and to make themselves a contribution to the common good. And if instead they solely take from the common good, they are not in a position to exercise the independence becoming free citizens.

We found ourselves using—a good part under Professor Nathan's guidance—that deliberately shocking term "underclass" for a certain portion of the dependent we were concerned with—not all of it, but a certain portion. It is a shocking term because what America means is that there is no underclass. Everybody has a chance. The Statue of Liberty says: "Send me your tired, your poor . . ." It

begins with poor people, and typically poor people have become not poor people. What is very distressing at the moment is the number of persons who beginning poor are not moving from it.

Even under conditions of economic growth and even when they themselves report that jobs are available, they are not moving from it. This we ended up calling by a new name: the behaviorally dependent, persons who are not only dependent on the public purse—that is an objective fact to be ascertained—but another fact involved that their own behaviors seem to have them coping less well than they are, even in their own eyes, able to.

The two sets of behavior that we found particularly striking in the growing numbers of such persons are marital status and labor force participation. When you look at the proportion of able adults who are needy and dependent upon the public purse, it is disproportionately single heads of households—and most often in those cases, females. Married couples—just to give you a small figure that struck us quite vividly—married couple families, only 7 percent fall below the poverty line. Plus 93 percent are above it. Of course, in one sense, that is easy to understand because two jobs even at the minimum wage would get a family of four above the poverty line, but there are many other advantages of the married couple family that are quite striking.

Now, there are two points I would like to make about our study, if I might, very briefly. The first point is that it required a certain discipline in every imagination as we proceeded because the poor are so diverse when you actually look at the numbers, and they are scattered all over the country. There are growing numbers in rural areas, for example, and a growing problem of illegitimacy and nonformation of families in rural areas. One wouldn't think of that at first because the concentrations of the poor in the large cities are near to the media centers; and so, when we see images of the most striking poverty, from the media—the national media, in any case—they are almost always urban. And we tend therefore to get an exaggerated sense of how much poverty is concentrated in those 100 larger cities in the United States. It is a very serious and needy group, worthy of our study and our efforts, but it is not all of the problem of dependency by a long shot.

For example, in a recent year for the first time, the number of white children born out of wedlock exceeded the number of Black children. The problem is spreading. We learned in this that race is declining as a factor in the population that most drew our attention—those of the behaviorally dependent. The condition seems to have much more to do with marital status and with labor force participation than with race. And that, we think, is a very important finding of the last 20 years.

It does put us in a different position to go forward, I think, in a united and comprehensive way.

I would like at this point to go to some of the concrete findings we have, but I think I simply must refer to them in the paper because time is getting away from me. I have mentioned several of them in passing.

The second large point I said that I wanted to make from our study is that, when we thought about the problem of the behaviorally dependent and thought how can we actually help people to

help themselves, we discovered it is very much a human problem. It is hard to think of a mechanical or bureaucratic solution. It is hard to think that some technical adjustment is going to deal with what is going on inside people themselves. That is what needs to be touched and evoked, strengthened and drawn out; and then you must look to the surrounding world of technical rules and applications and conditions and so on to see what is in the way, to try to help get some of that out of the way of such folks.

But we laid stress because the numbers forced us to lay stress on the human dimensions of the problem. Put very simply: You have able-bodied persons who in normal times would be caring for themselves, would be seeking out mates, and having firm and stable marriages, and would be working as much as other citizens work, and drawing the income and skill development and progress that comes from that and who aren't. Many of their peers are—a majority of those in similar conditions—doing well.

So, you come back to a human dimension of the problem. On this human dimension, I would like to say that looking just ahead, we see a hopeful time. There has probably never been a time more hopeful for welfare reform than now, when the baby boom has passed, like the figure of the python, and where we will be facing some labor shortages in the next 13 years. It is a very good time to move people from welfare to work.

Second, we do think that, while there is no silver bullet or no one magic wand to wave, if we can reverse the trends a little bit, if we move a few hundred persons or families here—and if you move families, you move more than one person; that is one of the great assets of concentrating on families; you move not only the parents, but children, and maybe for the next generation, too, if they move from dependency to self-reliance. If we can get those trends reversed so that the numbers of dependent are going down rather than up, that already is a great achievement.

And ten years from now, we should be able to look back on this moment with considerable satisfaction.

The final point I would like to make is that perhaps our most important finding was that, when the country as a whole engages this problem of human dimension needs and sends a signal that every citizen has obligations as well as entitlements, that the Government itself has a signaling function. It not only tells people what their fellow citizens expect of them, it is in a position to say here are some of the things we expect, labor force participation for one thing. If you are on welfare, an obligation to work, because we need you. Your children need you; the country needs you. You are not forgotten by us; you are not apart from us; you are a part of this community. That is why we called our paper "A Community of Self-Reliance." A community has an interest in the independence of every citizen. And it is an unusual community in a free society which wants to promote independence in citizens. If a community exists, it is to develop self-dependent persons. It is a dual pool here.

Therefore, to conclude, we think it is important not to get lost in a forest of technicalities but to see the many human dimensions of this problem. And we believe national leadership, both from the Congress and from the President and the administration, must play a very large role because it is necessary in a problem so op-

posed to what America stands for and a problem of growing dimensions.

It is crucial to get the whole country exercised in reducing that problem. It is a problem of human dimensions that the churches, the schools, the universities, the media—very part of American life—is going to have to get involved. We have got to turn around this tide in that people need to be touched by all those citizens, professions, occupations whose lives intersect with them. Perhaps I had better stop, Mr. Chairman.

Senator MOYNIHAN. Beautifully stated. Senator Dole, did you have any questions?

Senator DOLE. No questions, but an excellent statement.

Senator MOYNIHAN. I understand that in a year of discussions, nobody ever got around to talking about marginal rates of taxation. That is not what interests you. What interests you are the responsibilities of citizenship and the fact that we need everybody to participate in citizenship. I think when you ask people to become involved because you need them, you are likely to get a different response.

Dr. Blum, it is a pleasure to welcome you here this morning. Barbara Blum was once the distinguished Commissioner of Social Welfare in the State of New York and has held all manner of positions.

STATEMENT OF BARBARA BLUM, FOUNDATION FOR CHILD DEVELOPMENT, NEW YORK, NY

Mrs. BLUM. It really is a pleasure and a privilege to be part of the panel today. My remarks will be very brief and I hope they can be useful. They reflect my personal observations from participating in the Working Seminar Group, sponsored by AEI and chaired so very effectively by Michael Novak, as well as earlier involvement over a 2-year period with the special task force of Welfare Administrators at APWA.

The deliberations of the welfare administrators produced the APWA report, "One Child in Four." The seminar sessions led, of course, to the report we are discussing today, "A Community of Self-Reliance." It is important to note, it seems to me, that both the AEI and the APWA initiatives involved persons of conservative, moderate, and liberal persuasion in long and very serious debates. In each instance, discussions have been open, intellectually honest, and have permitted welfare issues to be framed in very new ways.

The challenge now is to harness the consensus which has developed, as reflected in the seminar report, in the APWA report, and in other reports which you have reviewed so that positive changes can occur. The overlay for consensus as we have discussed today has to do with mutual obligation.

We are agreed that parents are obliged to provide support for their children. We are agreed that individuals, male or female, who are receiving income assistance have an obligation to participate in education, training, or work programs which will enhance their abilities to produce income and help them support their children. We are also agreed, I believe, that in some instances supplemental

support is required to ensure certain families the ability to function.

The report from the working seminar describes the plight of our Nation's poor citizens at the present time. For some, improvements in circumstance require only modest change in individual behavior or Government policy; but for others, and particularly for a growing number of children, our interventions will need to be substantial and continuing.

We have learned a great deal about improving the collection of child support. We are poised now, I believe, to shift our welfare program from encouraging dependency to generating self-reliance. The key for the future is whether we have the commitment and the skill to tackle the subject of deprivation for those families and children who will remain unaffected by positive changes in child support and employment initiatives.

The seminar report is exceptionally eloquent in documenting the importance of this family and child focus. Just in closing, I want to say that in order not to divert our energies from those things that we are learning to do well, I must sound a warning on the administration's Low Income Opportunities Act initiative. I think that there are ways to permit waiver authority. There are ways to encourage experimentation; but we mustn't allow our energies now to be diverted away from what Michael Novak was suggesting, that is, the coalescing of national interest in resolving the problem for us.

[The prepared joint statement of the Working Seminar follows:]

STATEMENT OF

THE WORKING SEMINAR
ON THE
FAMILY AND AMERICAN WELFARE POLICY*

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND FAMILY POLICY
SENATE FINANCE COMMITTEE
MARCH 2, 1987

Two centuries ago, a French immigrant, J. Hector St. John de Crevecoeur, wrote of the new American settler, "From involuntary idleness, servile dependence, penury, and useless labor, he has passed to toils of a very different nature, rewarded by ample subsistence." And so, for most Americans, it remains today. A resident of the United States can virtually guarantee a life free from poverty by accomplishing only three things: completing high school, staying in the labor force, and establishing a family. Such, still, are the blessings of this land.

Yet, a numerically small but significant group of our fellow countrymen fails to partake of this bounty. They are poor in means, but it is not their poverty that is most distressing. They often depend upon public assistance, but it is not their dependency as such

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that is worrisome. (The elderly and the disabled also rely on income supports, but arouse no comparable concern.) They are concentrated in large and generally prosperous cities, but it is not where they are located that really matters.

Rather, what is most important is their isolation from American society, their inability to acquire the skills and attitudes essential for functioning successfully in American life, their impoverishment of the spirit and lack of esteem. Without these, their chances of attaining the rewards of self-reliance that comprise the birthright of all Americans are slim. They remain locked, instead, in a behavioral dependency that belies their status as American citizens.

In keeping with another national tradition, Americans of all political and philosophical persuasions have sought ways to help this group out of its plight. We have given generously of our own wealth, through both public and private channels. We have invented new methods for enveloping them in the American ethos. We have reached out and involved ourselves in their lives. We have had some successes; we have also had some failures. And some of what we have done may have hurt more than helped. Yet, we remain ready to try again.

As the nation prepared to begin another effort, the Working Seminar on the Family and American Welfare Policy was created to enable a philosophically diverse group of experts to study the problem of behavioral dependency and make recommendations that would be useful to policy-makers and interested members of the public. Chaired by Michael Novak of the American Enterprise Institute, the group comprises experts as varied as John Cogan of the Hoover Institution (Vice Chairman);

Charles Murray, author of Losing Ground; Stanford Ross, Social Security Commissioner under President Carter; and Alice Rivlin of the Brookings Institution. (A list of the Seminar's members is attached.)

In the past year, we have commissioned nearly a dozen research papers, held a half-dozen meetings, and engaged in numerous informal discussions with knowledgeable observers from around the country. We have also had the benefit of reviewing the reports and conclusions of several other groups that have examined this problem from different vantage points. In our own report, entitled A Community of Self-Reliance: The New Consensus on Family and Welfare, we seek to distill the essence of this now considerable body of information and ideas to construct a set of principles that we believe ought to guide a new round of welfare reform. (We are submitting a copy of the report for your consideration.)**

The starting point for all of these is the recognition that low income and behavioral dependency are two quite different problems and require different remedies. Approximately 33 million Americans are considered poor, using the official Census Bureau measure. (A broader measure, including in-kind benefits such as Food Stamps, would reduce this to roughly 22 million.) But no more (and probably much less) than one-third of that number (many of whom are children, living in families headed by an adult) are likely to present the kinds of problems that seriously diminish the likelihood of becoming self-reliant. For the rest, an expanding economy, improvements in income support and tax

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**The full report will be available soon as a book from AEI at 4720 Boston Way, Lanham, MD 20706.

policies, and other adjustments in our current ways of helping the poor should be sufficient to enable them to participate more fully in American life, if they wish to do so.

Our report describes this new form of poverty--"behavioral dependency"--which is caused not by low income alone, but by a growing inability to cope. Many people stay dependent on welfare through their own behaviors, such as dropping out of school, having children out of wedlock, and failing to work. The traditional solution of economic growth plus income supplements is not working well enough to diminish their dependency.

Our report details changes in family structure and labor force participation that are the chief causes of behavioral dependency. Among its findings are that:

- The concentration of black and Hispanic poor in high-poverty census tracts in the nation's 100 largest cities (now totaling some 4.1 million persons) grew almost 60 percent from 1970 to 1980.

- In such locations, female-headed families outnumber married families 3 to 1, and the labor force participation rates of males are far below those of twenty-five years ago.

- Fewer than 7 percent of intact, married couple families have incomes below the official poverty line, but 34 percent of female-headed families are poor and they constitute the fastest growing segment of the poor since 1965.

- The 3.4 million mothers on AFDC work much less than nonpoor mothers. Forty percent of nonpoor mothers with children under 18 worked full time for at least 40 weeks during 1984, as opposed to only 9 percent of AFDC mothers.

- Among the 7 million children on Aid to Dependent Children (in 1983), 46 percent were born out of wedlock.

- Children born out of wedlock, regardless of race or age of mother, are more likely to be low birthweight, to drop out of school, and to themselves have children out of wedlock.

o Only 13 percent of the working-age poor report as their reason for being unemployed that jobs are unavailable.

o The labor force participation of young black males ages 16-24 has fallen dramatically since 1962, from 59 percent to 44 percent.

o The very poor, especially in urban areas, are twice as likely to suffer from robberies or burglaries as the nonpoor.

A study commissioned by the Seminar concluded: "Those who do the following three simple things are unlikely to stay long in poverty: (1) complete high school; (2) get married and stay married; and (3) stay employed at a job, any job, even at first at the minimum wage." Based on the computer tapes of the University of Michigan's Panel Study of Income Dynamics, it found that:

o Of all men ages 20-64 with a high school education, only six-tenths of 1 percent were in poverty in 1970. For blacks, only 4.7 percent of black male heads of household with just a high school education were in poverty or near poverty by 1980.

Providing income supports for persons of low income is relatively straightforward, but helping the dependent to adopt self-reliant behaviors is far more difficult. Behavioral dependency is so rooted in personal behaviors that it can be overcome only by the personal involvement of all Americans, and all institutions of American society, not solely by government.

We therefore make a series of recommendations on how religious institutions, schools, the media, and neighborhood and professional associations can become involved in responding to the plague of dependency. At every level, those who help to shape the national ethos must help recreate our two-sided ideal of community and self-reliance.

There is a common idea which should serve as the basis for the efforts of all these institutions. It is the concept of obligation. No

person should be involuntarily poor without others coming to his or her assistance. No able adult should be allowed voluntarily to take from the common good, without also contributing to it. Parents should be expected to support their children; children should be expected to prepare themselves for becoming self-reliant adults. The mass media, religious bodies, voluntary groups, schools, law enforcement authorities and other institutions important in the lives of the poor should assert standards of conduct conducive to avoiding dependency and expect that they be adhered to. When obligations are not met, the consequences should be felt, except where harm might befall innocents.

In other words, the problem of behavioral dependency requires us to go beyond questions of income in order to attend to questions concerning the way people organize their lives. What is distinctive about behavioral dependency is its moral or attitudinal component. It is not enough for the makers of public policy to attend to externalities and public arrangements, without also being aware of the ways in which policy impinges -- or fails to impinge -- on personal and social values. Private institutions likewise have a responsibility to help shape an ethos favorable to those of the poor seeking to practice the traditional disciplines by which Americans have long bettered their own conditions and those of their families. By emphasizing obligations, society can help inculcate and reinforce the values and habits essential to escaping poverty.

Nevertheless, government policy plays a crucial role: it sets goals for citizens and incites efforts. Therefore, our report also makes major recommendations for government action. Our report argues

that it has been a mistake to offer welfare benefits without imposing on recipients the same obligations faced by other citizens, to try to become self-sufficient through education, work, and responsible family behavior.

In addition, it can help restore self-respect to the poor. Often in the past, programs designed to help persons of low income have offered benefits without imposing any duties in return. This is to treat them as less than full citizens. To hold all people responsible, as befits their abilities, for acquiring those skills and competencies necessary to self-reliance is only just. And while many may need some assistance, to hold those on welfare personally responsible, too, is no more than is asked of other citizens. And much more than is expected of clients. Such a change in self-image is indispensable for reducing behavioral dependency.

For developing a sense of personal responsibility, for transmitting social values and habits, for providing aid and comfort, no institution is as important as the family. Indeed, the problem of behavioral dependency is largely (though not entirely) one of the family. Eighty percent of the poor live in families; sixty percent live in families with children under eighteen; of the latter, half are headed by a single parent. Such families are doubly disadvantaged; they often lack earning power sufficient to make good use of the economic opportunities available to them and some are also short on the social resources necessary to instill the skills for self-reliance in their members. Misguided public policies and activities by private groups have, as well, sometimes increased more than they have lightened

the burdens such families face.

Hence, the crucible for the next round at welfare reform must be the family. All our efforts should be directed toward reducing the number of single-parent families, or for those that are created, insisting that adequate support -- educational and nurturing as well as financial -- be maintained. To be sure, twenty-five years of experience have demonstrated that these goals are easier proclaimed than achieved. But it is essential to continuing proclaiming them, and trying to realize them, through both public and private efforts, if the challenge of behavioral dependency is to be met.

To that end, we offer a number of specific recommendations. They are neither earth-shattering nor unique. We do not believe there is a magic answer, a simple but as yet undiscovered solution, to the problem we face. (The closest, the foundation for all else, is economic growth, but even it is not sufficient to deal with the kind of dependency that concerns us.) Rather, we think the best hope lies in mobilizing an across-the-board effort, built on the following principles:

I. <u>The home environment for young children in impoverished families should be the primary location for preventing future dependency</u>. Parental responsibility for the support of children should be reinforced; political and administrative pressure should be brought to bear to improve the level of child support enforcement. The fathers of out of wedlock children should be identified through mandatory paternity findings. Voluntary associations should help young mothers through classes in child care and child education, and other efforts that bring these mothers out of isolation, in social settings that

provide child-care and instruction.

In regard to teenage mothers, welfare policy should not confuse their legal status as parents with their physical and emotional standing, which may be less than adult. Consequently, unless there is a finding that their safety so requires, welfare benefits should not be paid to recipients under 18 living in independent households.

Child abuse and neglect are serious national problems. However, there is a tendency to treat the symptoms of poverty as a form of "child neglect." A large number of poor children now being placed in foster care could be safely left with their parents.

II. Schools should impose high standards of achievement, behavior and responsibility on all students. Communities should be encouraged and assisted in setting high standards for their schools, recognizing that the key factors are: strong principals, an orderly but not rigid school atmosphere, a schoolwide commitment of resources to and focus on basic skills; a highly visible expectation that every child can learn; and frequent monitoring of the performance of every student.

Fear of lawsuits claiming the violation of "student rights" has deprived some school officials of a spirit of initiative and led others to take the course of least resistance, for example by not enforcing standards of behavior that they know have been violated. Federal law should be amended so that, within appropriate limits, principals have greater good-faith discretion in setting and enforcing schoolwide standards of behavior.

Parental involvement in schooling should be increased, including, perhaps, by giving parents a greater measure of choice regarding which

public schools their children attend. Some members of the Working Seminar favor a voucher or an open enrollment plan; others doubt the practicality of such plans. All agree in seeking ways to give poor parents more of the flexibility and freedom others already have, and to make the public schools more accountable for their performance among the poor.

III. The rights of the poor to integrity of life, limb and property should receive equal protection under the law. To reduce the scourge of crime in the communities of the poor, innovative methods of policing should be introduced, court procedures tightened, and the illegal drug trade better controlled. Standards of conduct in public housing enforced, and volunteer efforts, such as neighborhood associations, encouraged.

IV. Since voluntary associations have a public character and public responsibilities, they should focus their power on reducing behavioral dependency. The mass media should help nourish a moral environment in which the habits crucial to exiting from poverty are reinforced, religious institutions should challenge the poor and empower them through spiritual determination, inner strength, and community involvement, and other voluntary groups should employ their own special skills and resources to invent new ways of coming to the aid of the poor and dependent.

V. Welfare recipients should be required to take part in work (or time-limited training programs) as a condition of receiving benefits. Young mothers should be required to complete high school (or its equivalent) and prepare themselves for future employment. Older mothers

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